GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code：393

ANNUAL REPORT 2016


SURF
2017 JEANSWEST STYLE
The Hope Of Spring

OUR CORE BUSINESS

- Retail, trading and export of casual wear apparel
- Financial investments

OUR VISION

To become a market leader in casual wear apparel retailing and
to be one of the best casual wear apparel suppliers

OUR MISSION

Focused on our customers, we endeavour to provide quality products and services with added value. We strive after:

- customer satisfaction;
- staff development;
- reasonable equity return; and
- growth with our business partners,

so as to benefit our community.

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Dr. Charles Yeung, GBS, JP *(Chairman)*
Mr. Yeung Chun Fan *(Vice-chairman)*
Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, SBS, MH, JP
Ms. Cheung Wai Yee
Mr. Chan Wing Kan, Archie
Ms. Yeung Yin Chi, Jennifer

Independent Non-executive Directors
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP
Mr. Wong Man Kong, Peter, BBS, JP
Dr. Lam Lee G.

BOARD COMMITTEES

Audit Committee
Mr. Lau Hon Chuen, Ambrose, GBS, JP *(Chairman)*
Dr. Chung Shui Ming, Timpson, GBS, JP
Mr. Wong Man Kong, Peter, BBS, JP
Dr. Lam Lee G.

Remuneration Committee
Mr. Wong Man Kong, Peter, BBS, JP *(Chairman)*
Dr. Chung Shui Ming, Timpson, GBS, JP
Mr. Pau Sze Kee, Jackson

Nomination Committee
Dr. Charles Yeung, GBS, JP *(Chairman)*
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP

Investment Committee
Dr. Charles Yeung, GBS, JP *(Chairman)*
Mr. Yeung Chun Fan
Mr. Pau Sze Kee, Jackson
Mr. Chan Wing Kan, Archie
Ms. Yeung Yin Chi, Jennifer
Mr. Wong Man Kong, Peter, BBS, JP
Dr. Lam Lee G.

COMPANY SECRETARY

Mr. Mui Sau Keung, Isaac

AUTHORISED REPRESENTATIVES

Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, SBS, MH, JP

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wan Chai
Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
UBS AG
DBS Bank Ltd., Hong Kong Branch
Crédit Agricole Corporate and Investment Bank
The Bank of East Asia, Limited

WEBSITE

http://www.glorisun.com

STOCK CODE

393

BOARD LOT

4,000 shares

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Glorious Sun Enterprises Limited (the "Company") will be held at Dynasty II, 7th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 2 June 2017 at 2:00 p.m. for the following purposes:

(1) To receive and consider the financial statements and the reports of the directors and auditors for the year ended 31 December 2016.

(2) To declare the final dividend for the year ended 31 December 2016.

(3) (A) (I) To elect Mr. Yeung Chun Fan as an executive director of the Company.

(II) To elect Mr. Hui Chung Shing, Herman as an executive director of the Company.

(III) To elect Mr. Chan Wing Kan, Archie as an executive director of the Company.

(IV) To elect Ms. Yeung Yin Chi, Jennifer as an executive director of the Company.

(V) To elect Mr. Lau Hon Chuen, Ambrose as an independent non-executive director of the Company.

(VI) To elect Mr. Chung Shui Ming, Timpson as an independent non-executive director of the Company.

(VII) To elect Mr. Lam Lee G. as an independent non-executive director of the Company.

(B) To authorise the board of directors to fix the remuneration of directors.

(4) To appoint auditors and to authorise the board of directors to fix their remuneration.

(5) As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

(A) "**THAT**:

(I) subject to sub-paragraph (III) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

(II) the approval in sub-paragraph (I) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(III) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in sub-paragraph (I) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined) or upon the exercise of rights of conversion or subscription under any securities which are convertible into shares of the Company or (b) the share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (c) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed the aggregate of: (aa) 20 per cent. of the aggregate number of issued shares of the Company on the date of this resolution and (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the number of shares of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate number of issued shares of the Company at the date of passing this resolution) and the said approval shall be limited accordingly; and

(IV) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

NOTICE OF ANNUAL GENERAL MEETING

(B) "**THAT**:

(I) subject to sub-paragraph (II) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase shares in the issued share capital of the Company be and is hereby generally and unconditionally approved;

(II) the aggregate number of shares of the Company which the Company is authorised to purchase pursuant to the approval in sub-paragraph (I) of this resolution shall not exceed 10 per cent. of the aggregate number of issued shares of the Company on the date of this resolution and the said approval shall be limited accordingly; and

(III) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "**THAT** the directors of the Company be and are hereby authorised to exercise the powers of the Company referred to in paragraph (I) of the resolution set out as resolution (5)(A) in the notice of the meeting of which this resolution forms a part in respect of the number of shares of the Company referred to in sub-paragraph (bb) of paragraph (III) of such resolution."

(6) To transact any other ordinary business of the Company.

By Order of the Board

Mui Sau Keung, Isaac
Company Secretary

Hong Kong, 25 April 2017

Principal Place of Business:
38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.

2. A form of proxy for the meeting is enclosed. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's principal place of business at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournment thereof.

3. The register of members of the Company will be closed from Monday, 29 May 2017 to Friday, 2 June 2017, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 26 May 2017.

4. The register of members of the Company will also be closed from Thursday, 8 June 2017 to Friday, 9 June 2017, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 7 June 2017.

5. In relation to agenda item No. (3)(A) in this Notice regarding election of directors, Mr. Yeung Chun Fan, Mr. Hui Chung Shing, Herman, SBS, MH, JP and Mr. Chan Wing Kan, Archie will retire by rotation at the forthcoming annual general meeting of the Company pursuant to bye-law 110(A) of the Company's Bye-laws and, being eligible, offer themselves for re-election. Ms. Yeung Yin Chi, Jennifer will retire at the forthcoming annual general meeting of the Company pursuant to bye-law 101 of the Company's Bye-laws and, being eligible, offer herself for re-election. Mr. Lau Hon Chuen, Ambrose, GBS, JP, Dr. Chung Shui Ming, Timpson, GBS, JP and Dr. Lam Lee G. will also retire at the forthcoming annual general meeting of the Company at which their term of appointment will expire, and they are eligible for re-election.

6. The biographical details and length of service with the Company of all the directors who stand for re-election at the forthcoming annual general meeting are set out in the "Directors' and senior management's biographies" section in this annual report.

7. The amount of emoluments paid for the year ended 31 December 2016 to each of the directors who stand for re-election at the forthcoming annual general meeting is set out in note 8 to the financial statements in this annual report and the basis of determining such emoluments is set out in the "Emolument policy" section in this annual report.

8. Other biographical details of each of the directors who stand for re-election at the forthcoming annual general meeting are set out below to enable shareholders to make an informed decision on their re-elections. Save for the information set out in this paragraph 8 and in paragraphs 5 to 7 above, there is no information to be disclosed pursuant to any requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") nor are there other matters that need to be brought to the attention of shareholders in respect of the directors who stand for re-election at the forthcoming annual general meeting.

   8.1 Mr. Yeung Chun Fan, aged 64, is an executive director of the Company, a brother of Dr. Charles Yeung, GBS, JP and the spouse of Ms. Cheung Wai Yee. Mr. Yeung Chun Fan's interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at 18 April 2017, being the latest practicable date prior to the printing of this Notice (the "latest practicable date").

   Mr. Yeung was a non-executive director of (i) Generra Sportswear Company, Inc., a company incorporated in Washington, USA (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited, a company incorporated in Hong Kong and (iii) Generra Production Corporation, a corporation incorporated in Washington, USA). These three companies were involved in design, manufacture and sale of the Generra Sportswear lines. At all material time Mr. Yeung had no duty in the day-to-day operations of Generra Sportswear Company, Inc. On 2 July 1992, Chapter 11 proceedings were instituted and Generra Sportswear Company, Inc. was administratively dissolved in 1995, Generra Sportswear (HK) Limited was dissolved on 13 September 2002 and Generra Production Corporation was dissolved in 1994, respectively. So far, no allegation has been made against Mr. Yeung in Generra Sportswear Company, Inc. for fraud, negligence or any conduct of dishonesty.

   8.2 Mr. Hui Chung Shing, Herman, SBS, MH, JP aged 66, is an executive director of the Company and his interests in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at the latest practicable date.

   Mr. Hui was a non-executive director of (i) Generra Sportswear Company, Inc. (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited and (iii) Generra Production Corporation). These three companies were dissolved as disclosed in paragraph 8.1 above. At all material time Mr. Hui had no duty in the day-to-day operations of Generra Sportswear Company, Inc. and so far, no allegation has been made against Mr. Hui in that company for fraud, negligence or any conduct of dishonesty.

NOTICE OF ANNUAL GENERAL MEETING

8.3 Mr. Chan Wing Kan, Archie, aged 70, is an executive director of the Company. Mr. Chan was a non-executive director of (i) Generra Sportswear Company, Inc. (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited and (iii) Generra Production Corporation). These three companies were dissolved as disclosed in paragraph 8.1 above. At all material time Mr. Chan had no duty in the day-to-day operations of Generra Sportswear Company, Inc. and so far, no allegation has been made against Mr. Chan in that company for fraud, negligence or any conduct of dishonesty. Mr. Chan does not have any interest in the shares of the Company.

8.4 Ms. Yeung Yin Chi, Jennifer, aged 37, is an executive director of the Company, a niece of Mr. Charles Yeung and Mr. Yeung Chun Fan. Ms. Yeung does not have any interest in the shares of the Company.

8.5 Mr. Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 69, is an independent non-executive director of the Company. Mr. Lau is also a director of China Jinmao Holdings Group Limited, Yuexiu Property Company Limited, Yuexiu Transport Infrastructure Limited, Joy City Property Limited, Brightoil Petroleum (Holdings) Limited and The People's Insurance Company (Group) of China Limited. In the past three years, Mr. Lau was a director of OCBC Wing Hang Limited. Mr. Lau's interests in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at the latest practicable date.

Mr. Lau has confirmed that he is the senior partner of Messrs. Chu & Lau, Solicitors & Notaries and he is a director and shareholder of Chu & Lau Nominees Limited ("C&LN"), and that he himself, the law firm and C&LN acted for the Company, its related or connected companies or persons. The Board considered that the amounts involved for the services provided were insignificant, and the services received from Mr. Lau, the law firm and C&LN were in the ordinary course of business and on normal commercial terms and would in no way affect the independence of Mr. Lau. Accordingly, the Board has confirmed that Mr. Lau is independent of the Company.

The Board also believes that Mr. Lau being a solicitor of the High Court of Hong Kong has extensive knowledge of legal matters and having the considerable experience in the public sector and boards of listed companies, would contribute continuous improvement on internal controls and corporate governance matters of the Company. Accordingly, the Board is of the view that the re-election of Mr. Lau as an independent non-executive director of the Company is in the interests of the Company notwithstanding that he has served in such capacity for more than nine years.

8.6 Dr. Chung Shui Ming, Timpson, GBS, JP, aged 65, is an independent non-executive director of the Company. Mr. Chung is also a director of Miramar Hotel and Investment Company, Limited, China Unicom (Hong Kong) Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, China Construction Bank Corporation, Jinmao Investments and Jinmao (China) Investments Holdings Limited and China State Construction Engineering Corporation Limited. In the past three years, Mr. Chung was a director of Henderson Land Development Company Limited. Mr. Chung's interests in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at the latest practicable date.

Mr. Chung has provided the Company with confirmation of his independence in accordance with the relevant requirements as set out in Rule 3.13 of the Listing Rules and it is in the belief of the Board that Mr. Chung is independent.

The Board believes that Mr. Chung, through his experience as a professional accountant, would contribute significantly to the strategy development and the continuous improvement on internal controls and other relevant financial and corporate governance matters of the Company. Accordingly, the Board is of the view that the re-election of Mr. Chung as an independent non-executive director of the Company is in the interests of the Company notwithstanding that he has served in such capacity for more than nine years.

8.7 Dr. Lam Lee G., aged 57, was re-designated from a non-executive director to an independent non-executive director of the Company on 20 August 2012. Dr. Lam is also a director of CSI Properties Limited, Vongroup Limited, Sunwah Kingsway Capital Holdings Limited, Mei Ah Entertainment Group Limited, China LNG Group Limited, Elife Holdings Limited, Rowsley Ltd., Asia-Pacific Strategic Investments Limited, Top Global Limited, Sunwah International Limited, Vietnam Equity Holding, Vietnam Property Holding and Coalbank Limited. In the past three years, Dr. Lam was a director of Imagi International Holdings Limited, DTXS Silk Road Investment Holdings Company Limited, Heng Fai Enterprises Limited, Mingyuan Medicare Development Company Limited, Ruifeng Petroleum Chemical Holdings Limited, Hutchison Harbour Ring Limited, Far East Holdings International Limited and Next-Generation Satellite Communications Limited.

Dr. Lam was a director of a Hong Kong incorporated private company with limited liability, i-STT Hong Kong Limited ("i-STT"), between 15 December 1999 and 27 October 2004. i-STT was involved in Internet-related network services. i-STT was solvent when it was in creditors' voluntary liquidation on 12 September 2001 and the amount involved was about HK$100 million.

Dr. Lam does not have any interest in the shares of the Company.

9. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the meeting will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CHAIRMAN'S STATEMENT

GROUP RESULTS

In the year of 2016, global economic activities were more slothful than in last year. The persistently sluggish trend seemed to have hit its bottom in the third quarter. During the period, quite a number of unexpected events took place. Brexit was chosen by a marginal majority in the referendum and caused the sterling to debase substantially. In the US presidential election, the anti-establishment candidate Mr. Donald Trump, who overtly advocated for anti-free trade and "America first", was elected as the US President. The future global economy thus became pretty confused.

China economic reforms were stretching out to realigning the financial sector and the state owned enterprises. Such immense tasks might need some time to be accomplished. However, GDP in the Mainland managed to grow at 6.7% in 2016. After IMF adding the Chinese Renminbi ("RMB") to the basket of currencies that make up the Special Drawing Right in October 2016, RMB became more susceptible to market volatility. The exchange rate of RMB against US dollar slid from 6.4402 on 18 March 2016 to 6.9723 on 16 December 2016 representing a depreciation of 8.26%. To Hong Kong, 2016 was a difficult year as its economic growth was weakened by strong US dollar because Hong Kong dollar had been pegged to it. Strong currency undermined Hong Kong's attractiveness as the tourists shopping paradise and its competitiveness in export. The weakening of RMB and the slowdown of economic growth in the Mainland also had adverse impact on Hong Kong retail sector. Fortunately, unemployment was no longer an issue and the retail market sentiment eventually improved in the third quarter. Hong Kong GDP in 2016 was lower than the 2.4% of 2015 but still managed to grow at around 1.9%. In other words, the "L" shape economic development was still expected to continue.

CHAIRMAN'S STATEMENT

In view of the current depressed environment, the Management decided to proceed with the rights issue to raise capital so as to equip the Group with ample financial resources to weather through the coming cycle in eclipse. The rights issue with the support of 92.14% of our shareholders was over subscribed by 818.46% and successfully raised about HK$460 million for the Group.

In the period under review, the Management did manage to compress operational costs. However, the effort was completely wiped off by the sluggish market condition and the miscue in pricing and product design. In 2016, the total retail sales decreased by 25.88%. The performance of Australia and New Zealand operations were the most disappointing.

The Group's consolidated turnover and the net profit attributable to equity holders decreased by 23.98% and increased by 0.19% respectively.

Hereunder are the highlights of our performance in the year under review:

	2016	2015 (Restated)	Changes
(Unit: HK$'000)			
Consolidated sales	**3,336,494**	4,389,016	↓ 23.98%
of which:			
A. Total retail sales in the PRC	**1,931,260**	2,805,737	↓ 31.17%
B. Total retail sales in Australia & New Zealand	**955,056**	1,088,602	↓ 12.27%
Sub-total	**2,886,316**	3,894,339	↓ 25.88%
C. Total export sales	**336,393**	441,524	↓ 23.81%
D. Financial investments	**104,485**	51,410	↑ 103.24%
Profit attributable to equity holders of the Company	**88,320**	88,152	↑ 0.19%
(Unit: HK cents)			
Earnings per share (basic)	**6.29**	8.39	↓ 25.03%
Dividend			
—Final	**3.20**	4.30	↓ 25.58%
—Total	**5.70**	7.70	↓ 25.97%
(Unit: HK$'000)			
Net cash and near cash in hand*	**1,724,900**	1,195,634	↑ 44.27%

* Net cash and near cash in hand consists of held-to-maturity investments, cash and cash equivalents, pledged deposits, net of interest-bearing bank and other borrowings.

CHAIRMAN'S STATEMENT

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK3.20 cents (2015: HK4.30 cents) per share for the year ended 31 December 2016 at the forthcoming annual general meeting to be held on Friday, 2 June 2017. The final dividend amounting to HK$49,155,000, if approved by the shareholders of the Company, will be paid on Tuesday, 20 June 2017 to those shareholders whose names appear on the register of members of the Company on Friday, 9 June 2017.

REVIEW OF BUSINESSES

Retailing

The weakening trends in 2015 extended to the third quarter of 2016 before there were signs of touching the bottom. The business environments were tough for nearly all sectors. The Management strived for reducing operational costs and for realigning and consolidating our retail operations. In the aspects of streamlining the operations and closing down of those under-performed stores, the Management was able to deliver the expected results. The Management also tried to shift the additional costs arising from the surge of rental and salary to customers

CHAIRMAN'S STATEMENT

by increasing the fashion elements in our product design so as to warrant the raise in pricing. However, our customers found our products a bit too trendy and pricey to be acceptable. Though the Management realised the issues and addressed them immediately, the downtrends could only be reverted in the fourth quarter. Annual retail turnover thus decreased by 25.88% and margin was lower than that of last year. Luckily, inventory was still kept at the healthy level. In the period, only the e-shops in the Mainland and Australia managed to have a 25% growth in turnover. It was encouraging that in the Mainland, products designed exclusively for e-shops took up 53% of the total e-shops turnover. The O2O operation module had been fully implemented. Purchases made in both stores and e-shops could be either collected at stores or delivered by post at the option of the purchasers. This not only increased the turnover at our stores as well as in our e-shops. This also eased out our warehousing and logistic pressures.

There were a total of 1,792 stores at the year-end 2016 (2015: 2,249), of which 1,124 stores (2015: 1,427) were operated under franchise arrangements. For the financial year under review, the Group's aggregate sales from its retail operations amounted to HK$2,886,316,000 (2015: HK$3,894,339,000) representing a year-on-year decrease of 25.88%. Contribution from its retail operations to the Group's consolidated sales was 86.51%. Inventory turnover days increased from 48 days to 53 days.

1. The PRC

i. *Jeanswest*

The brand name of "Jeanswest" remained the Group's flagship business in Mainland China. In 2016, China economic reforms were still in process, deceleration of growth rate became the normal phenomenon. The persistent indolent market sentiment was prolonged due to the feeble export activities and the piling up of corporate debts that contained the enterprises' ability to reinvest. The weakening of RMB and the outflow of capital further dismayed the retail market sentiment.

CHAIRMAN'S STATEMENT

In the period, the Management resolutely strived for retrenchment of operational costs through simplifying corporate structure, realigning the operational flows and allying with strong suppliers. Coupled with above, the Management also closed down those under-performed stores and shifted the business model from expansion via directly managed stores to franchising. Operational costs were thus reduced to the expected level. During the period, the operation team also attempted to enhance our pricing power and margin through better product design. Unfortunately, the forecast was not that accurate rendering our product design too trendy and the pricing too aggressive beyond our customers' acceptance. Therefore, sales in the first half of the year were adversely affected and consequentially major markdown was resorted to clean excess inventory that further undermined the margin. Even the operation team promptly rectified the issues but the alleviation and improvement could only be attained in the second half of the year.

In the year under review, turnover of PRC retails decreased by 31.17% to HK$1,931,260,000 (2015: HK$2,805,737,000), accounting for 57.88% of the Group's consolidated sales. As at 31 December 2016, Jeanswest operated 1,466 stores (2015: 1,906) covering over 250 cities in the PRC, among which 1,036 stores (2015: 1,333) were under franchise arrangements.

ii. *Quiksilver Glorious Sun*

Although Quiksilver US managed to walk out from Chapter 11 after its debts re-structuring exercise, it was no longer in the position in the foreseeable future to provide its expected services and supports to Quiksilver Glorious Sun. In view of the prevailing arduous retail market environment in both the Mainland and Hong Kong, the Management decided to consolidate the operations of Quiksilver Glorious Sun in the Mainland by closing down gradually all directly managed stores upon expiry of the leases or upon conversion into franchised stores. In future, franchising and wholesaling would be the only operations. The Management also consolidated the business in Hong Kong. Under-performed stores were closed down and new store opening plan was on hold. Inventory clearance was the focal point in the year under review.

2. Australia and New Zealand

During the year under review, the economic situation in Australia was not too bad among the other developed countries. However, the retail markets there were very lethargic. It was attributed to the recent changes of consumption mode in favour of life style spending in non-apparel items such as electronic products, traveling and the likes. In the period, Australian disposable incomes were used mainly in household expenses. Thus the slothful retail sentiment turned even more shiftless. Aggressive mark down was the only means to support turnover. Data showed that our Jeanswest core customers lost their usual eagerness to purchase even the newly designed apparel at regular prices. Our margin was thus affected. In the period, 5 stores were closed down due to their under performance. A new flagship store with the latest fashion idea in MacAuthur Square had gained applause from our customers. In 2016, Jeanswest's operations in Australia and New Zealand were most disappointing.

For the year ended 31 December 2016, turnover of HK$955,056,000 (2015: HK$1,088,602,000) was registered in Australia and New Zealand showing a decrease of 12.27% on year-on-year basis. As at the end of 2016, Jeanswest operated a network of 224 stores (2015: 228) in Australia and New Zealand, among which 3 (2015: 6) were under franchises arrangements.

3. Overseas Franchise Operations

The uncertainties in the year under review caused our overseas franchisees to be cautious and their buy orders given to us decreased moderately. The Management in the second quarter launched out a number of new series such as child wears for them to cover wider market segments. In the period, we extended our franchising network to Mauritius.

CHAIRMAN'S STATEMENT

Export

Our export operations were largely on the design, manufacture, and export of Costco's private labels. During the year, retail sentiment in US was quite drowsy and grossly markdown was a common phenomenon. As the bidding for orders from Costco became competitive, our orders received and the margin thereof were thus narrower than last year.

For the year ended 31 December 2016, the Group's sales from exports was HK$336,393,000 (2015: HK$441,524,000) decreased by 23.81% from previous year.

Financial and Real Estates Investments

Since 2005, the parent company of the Group has been trading with financial investments with quite satisfactory results. The Management therefore would like to duplicate such success in the Group. At the year-end of 2015, the Directors decided to take investments as a new business segment of the Group. At present, the Group's investment strategy was to invest mainly in bonds issued by quality corporations with good profit earnings and managed by prudent professionals well acquainted with by the Management. In the year under review, the Group's portfolio of high yield corporate bonds amounted to HK$1.3 billion with tenor ranging from 3 years to 7 years.

The Group also invested in real estates in the Mainland. Our properties comprised office buildings, retail locations in first tier cities and provincial capitals, staff quarters and warehouses used basically by our operations. In November 2016, the Management disposed of two non-core retail properties and made a gross profit of about RMB47,000,000. By the end of the year, the book value of the Group's investment in properties amounted to around HK$489 million.

FINANCIAL POSITION

The Group's financial position remained very healthy. The successful rights issue in the first part of the year had further strengthened our cash position. In the period, the Group had entered into foreign currency forward contracts to hedge its exposure to foreign currency risks in respect of the Australian dollars.

CHAIRMAN'S STATEMENT

HUMAN RESOURCES

As at 31 December 2016, the Group employed about 6,400 employees (2015: 8,000). The Group offered competitive remuneration packages to them. In addition, bonus and share options were granted based on the Group's results and individual performance from time to time.

SOCIAL RESPONSIBILITY

It is the belief of the Management that while maximising returns for shareholders, the Group had to take up its social responsibilities. In addition to the strict adherence to stringent environmental protection policies and regulations, the Group also made direct contributions to the society. Since 1998, donations in the name of Jeanswest built "Jeanswest Hope Primary Schools", financed "Jeanswest Hope Teachers Programmer" and established "Jeanswest University Students Sponsorship Fund". In 2016, Quiksilver/Roxy sponsored the performance – "YO Dancical 2016". The Management also purposely implanted the sense of environmental preservation in our design. In last summer, Jeanswest's T-shirt series advocated "Green Monday" – the plant-based lifestyles. In 2016, "Jeanswest University Students Sponsorship Fund" was selected and nominated as "The Outstanding Project of Foreign Corporates In China To Discharge of Its Social Responsibility".

PROSPECTS

Looking forward to 2017, the world is full of capricious elements. On top of the Britain's unexpected decision to leave the European Union, more changeable events are expected from the elections to be taken place in Italy, Germany, the Netherlands and France that could reshape the political landscape in Europe. Following the election of Mr. Donald Trump as the new president of USA, the current world trade agreements are under pressure to be re-negotiated. The Sino American disputes in tariffs, exchange rate and trading arrangements are expected to intensify. Even military confrontation in South China Sea becomes more likely to happen. The normalization of US dollar interest rate in last December signals the end of global quantitative easing measures that prevailed since 2008 and thereafter corporate and household's spending will be more costly. The market forecasts that in 2017, US may have economic growth of around 2.2% higher than the 1.6% in 2016, but European Union's development will be lower than the 1.8% in 2016 to stand at 1.5%. UK GDP is expected to recess from the 2% in 2016 to 1.1%. The growth expectation for Japan in 2017 is 1%, a bit higher than the 0.9% in 2016.

CHAIRMAN'S STATEMENT

China is still in the process of its economic reforms. China Government points out that the economic development in the Mainland in 2017 will be comparatively slow but steady and leaning to the brighter side. Hong Kong economic activities are still contained by the persistent strong US dollars. Therefore, tourism, hotel and retail sectors are relentlessly under pressure. However, the Hong Kong economic growth in 2017 is expected to be a bit better than 1.9% of last year.

In view of the macro economic conditions as described above, the Group's strategy for 2017 is to stand firmly before any attempt to move forwards. The Management will resolutely dispose of those non-profitable operations and close down all under-performed stores. Stringent operational costs cutting measures will be implemented to keep it abreast with the decreasing turnover and relentless inventory control will be upheld. The Management will also strive for uplifting the product quality and design so as to rebuild our competitive edges — the "famous brand with products at affordable price". Once the rental price falls to a commercially viable level, Jeanswest will roll out more flagship stores in provincial capitals and those first tier cities. The Management will further enforce wholesale operations and team up with our core franchisees to expand our mutually beneficial business.

In the area of financial and real estates investments, the Management will prudently and patiently wait for investment opportunities to emerge.

Barring unforeseen circumstances, the Management is confident that the Group will continue to bring reasonable returns to its shareholders in 2017.

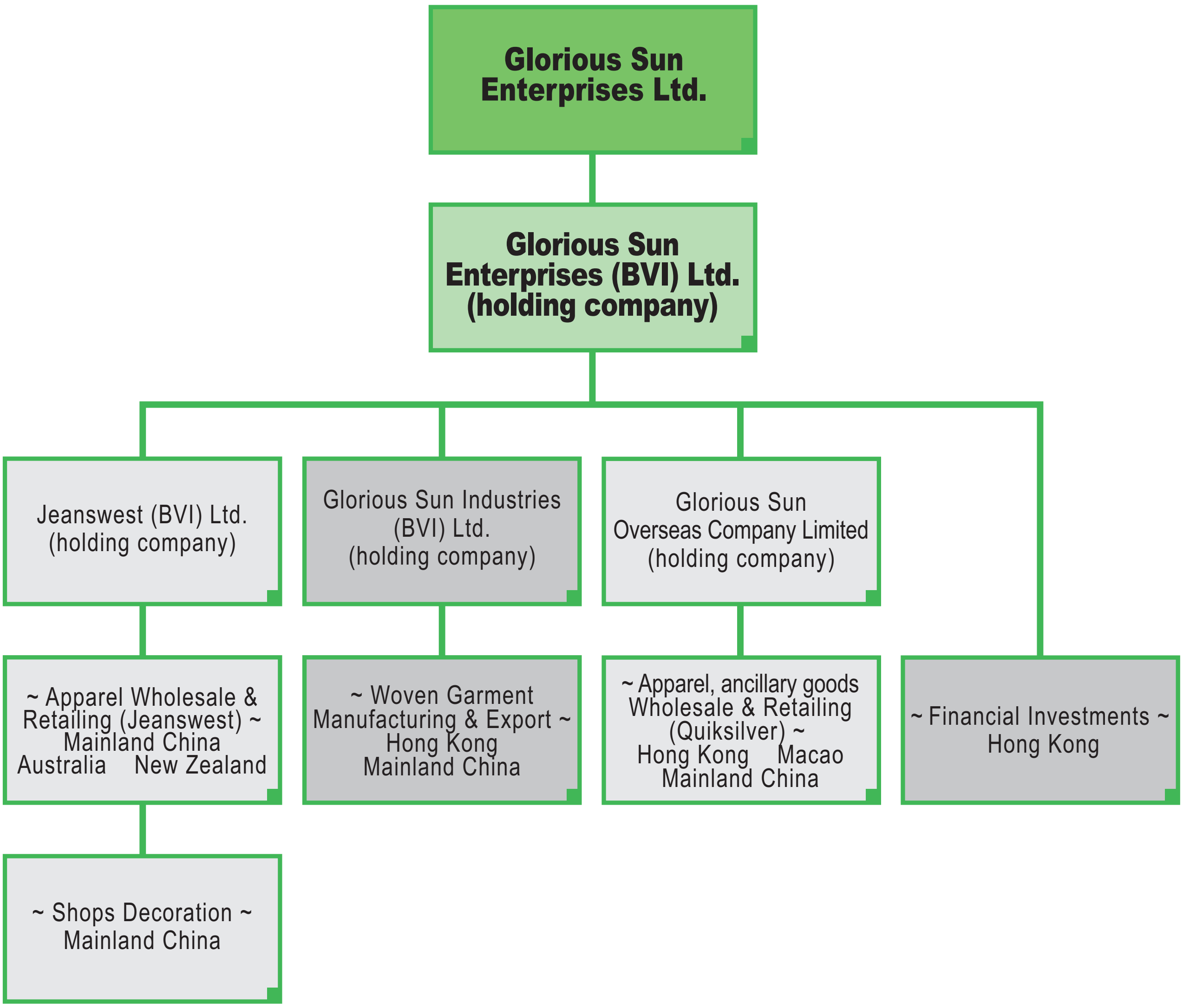
APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to the shareholders for their support, and to the Management and staff for their dedicated efforts.

Dr. Charles Yeung, GBS, JP
Chairman

Hong Kong, 27 March 2017

GROUP BUSINESS STRUCTURE



Retail Networks in the PRC

Total no. of shops:	Mainland China	1,463
	Hong Kong	25
	Macao	1
	Total	1,489

Retail Network in Australia and New Zealand

Total no. of shops: 224

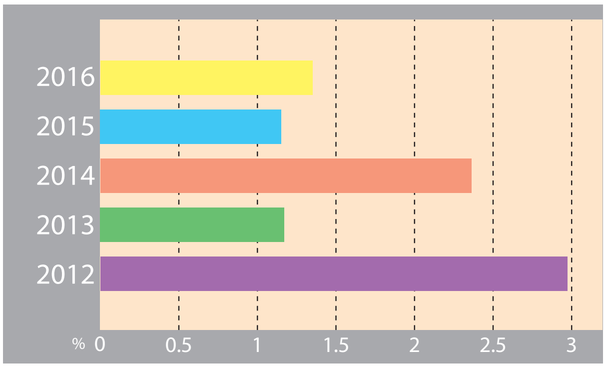

2017 JEANSWEST STYLE
The Hope Of Spring

FINANCIAL HIGHLIGHTS

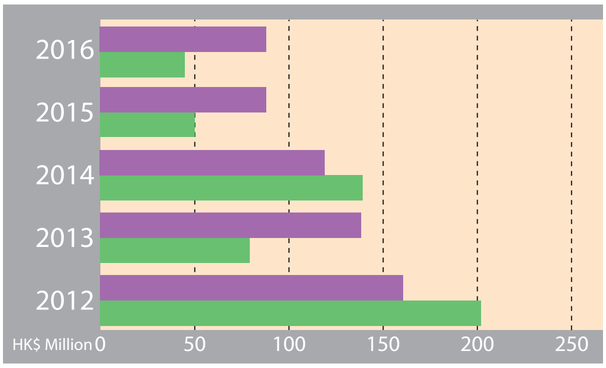
	2016	2015 (Restated)	2014 (Restated)	2013 (Restated)	2012 (Restated)
Revenue (HK$'000)	**3,336,494**	4,389,016	5,899,459	6,776,622	6,821,041
Increase/(decrease) in revenue in percentage	**(23.98%)**	(25.60%)	(12.94%)	(0.65%)	8.63%
Revenue analysis:					
1. Retail					
a. The PRC (HK$'000)	**1,931,260**	2,805,737	3,971,720	4,682,007	4,959,305
b. Australia & New Zealand (HK$'000)	**955,056**	1,088,602	1,308,003	1,396,359	1,376,428
2. Export (HK$'000)	**336,393**	441,524	572,821	674,637	464,791
3. Financial investments (HK$'000)	**104,485**	51,410	44,776	22,402	19,212
4. Others (HK$'000)	**9,300**	1,743	2,139	1,217	1,305
Operating margin (%)	**1.35%**	1.15%	2.36%	1.17%	2.97%
Profit attributable to ordinary equity holders of the Company (HK$'000)	**88,320**	88,152	119,405	138,455	160,876
Increase/(decrease) in profit attributable to ordinary equity holders of the Company in percentage	**0.19%**	(26.17%)	(13.76%)	(13.94%)	(49.29%)
Equity attributable to ordinary equity holders of the Company (HK$'000)	**2,454,782**	2,039,838	2,134,230	2,232,460	2,419,745
Working capital (HK$'000)	**596,413**	506,872	693,764	918,665	846,762
Total liabilities to equity ratio	**0.67**	0.81	1.26	0.91	1.12
Net cash to equity ratio	**0.18**	0.27	0.39	0.50	0.44
Current ratio	**1.38**	1.32	1.26	1.45	1.31
Retailing inventory turnover (days)	**53**	48	44	48	54
Return on total assets (%)	**2.15%**	2.38%	2.47%	3.23%	3.07%
Return on equity (%)	**3.60%**	4.32%	5.59%	6.20%	6.65%
Return on sales (%)	**2.65%**	2.01%	2.02%	2.04%	2.36%
Earnings per share (HK cents)					
Basic	**6.29**	8.39	11.13	12.88	14.97
Diluted	**6.29**	8.39	11.13	12.88	14.97
Dividend per share (HK cents)	**5.70**	7.70	10.27	12.15	12.15

FINANCIAL HIGHLIGHTS

OPERATING MARGIN FROM CONTINUING OPERATIONS (AFTER FINANCE COSTS)



OPERATING PROFIT FROM CONTINUING OPERATIONS AND PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY



Profit attributable to ordinary equity holders of the Company

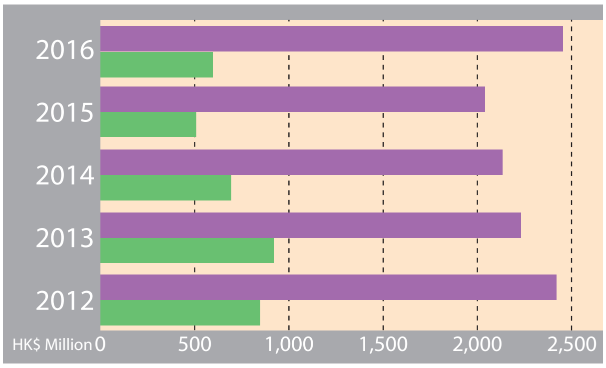
Operating profit (after finance costs) from continuing operations

BASIC EARNINGS PER SHARE AND DIVIDEND PER SHARE

Dividend per share

Basic earnings per share

WORKING CAPITAL AND EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

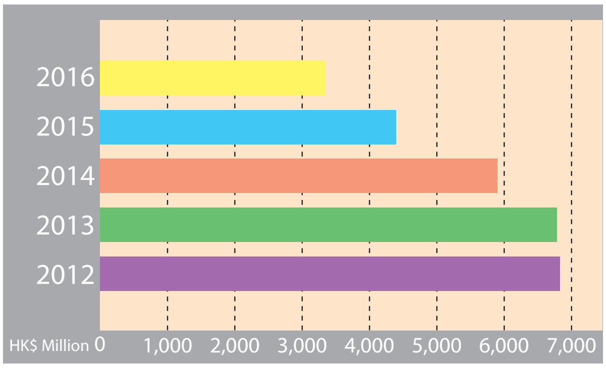


Equity attributable to ordinary equity holders of the Company

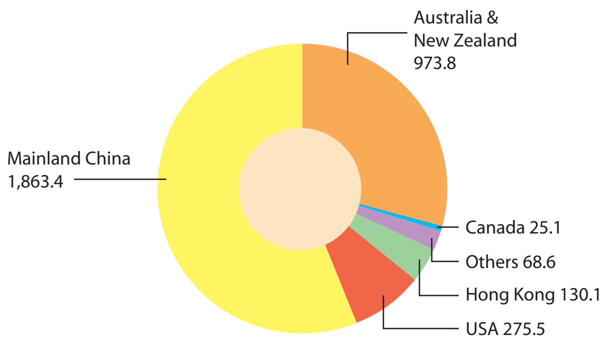
Working capital

FINANCIAL HIGHLIGHTS

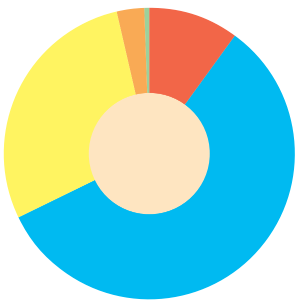
REVENUE FROM CONTINUING OPERATIONS
(HK$Million)



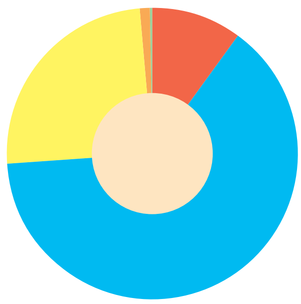
REVENUE FROM CONTINUING OPERATIONS BY GEOGRAPHICAL LOCATIONS
(HK$Million)



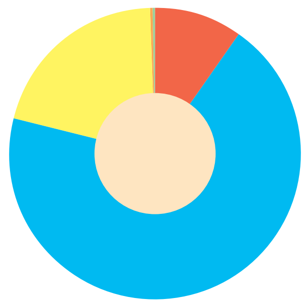
TURNOVER FROM CONTINUING OPERATIONS BY ACTIVITIES (HK$Million)


2016

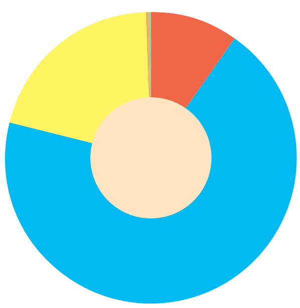
Export	336.4
Retail – The PRC	1,931.3
Retail – Australia & New Zealand	955.0
Financial Investments	104.5
Others	9.3


2015

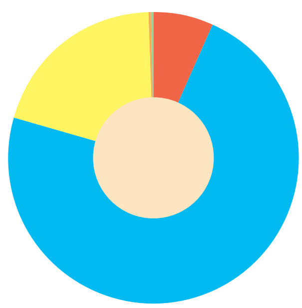
Export	441.5
Retail – The PRC	2,805.7
Retail – Australia & New Zealand	1,088.6
Financial Investments	51.4
Others	1.8


2014

Export	572.8
Retail – The PRC	3,971.7
Retail – Australia & New Zealand	1,308.0
Financial Investments	44.8
Others	2.2


2013

Export	674.6
Retail – The PRC	4,682.0
Retail – Australia & New Zealand	1,396.4
Financial Investments	22.4
Others	1.2


2012

Export	464.8
Retail – The PRC	4,959.3
Retail – Australia & New Zealand	1,376.4
Financial Investments	19.2
Others	1.3

OPERATION HIGHLIGHTS

Year ended 31 December 2016

RETAIL OPERATION HIGHLIGHTS

	2016	2015	2014	2013	2012
Net sales for the Year (HK$'000)	**2,886,316**	3,894,339	5,279,723	6,078,366	6,335,733
The PRC	**1,931,260**	2,805,737	3,971,720	4,682,007	4,959,305
Australia & New Zealand	**955,056**	1,088,602	1,308,003	1,396,359	1,376,428
Retail floor area of directly managed shops (sq.ft.)	**898,258**	1,061,694	1,328,426	1,569,263	1,738,625
The PRC	**530,404**	707,343	960,644	1,211,106	1,388,216
Australia & New Zealand	**367,854**	354,351	367,782	358,157	350,409
Number of sales persons	**3,552**	4,543	6,176	8,130	9,875
The PRC	**2,201**	3,148	4,697	6,684	8,489
Australia & New Zealand	**1,351**	1,395	1,479	1,446	1,386
Number of employees	**4,675**	6,105	8,184	10,497	12,395
The PRC	**3,176**	4,548	6,530	8,879	10,876
Australia & New Zealand	**1,499**	1,557	1,654	1,618	1,519
Number of directly managed shops	**651**	795	1,025	1,257	1,443
The PRC	**430**	573	792	1,029	1,215
Australia & New Zealand	**221**	222	233	228	228
Number of franchised shops	**1,039**	1,339	1,498	1,528	1,587
The PRC	**1,036**	1,333	1,492	1,522	1,581
Australia & New Zealand	**3**	6	6	6	6
Total number of retail shops	**1,690**	2,134	2,523	2,785	3,030
The PRC	**1,466**	1,906	2,284	2,551	2,796
Australia & New Zealand	**224**	228	239	234	234

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high standard of corporate governance and has applied throughout the year ended 31 December 2016 (the "year under review") the principles set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Throughout the year under review, the Company has complied with the code provisions set out in the CG Code save and except for the deviation from code provision A.6.7 of the CG Code.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged commitments, Mr. Lau Hon Chuen, Ambrose, GBS, JP, Dr. Chung Shui Ming, Timpson, GBS, JP and Mr. Wong Man Kong, Peter, BBS, JP, Independent Non-executive Directors, were not present at the Company's annual general meeting for the year 2016. Dr. Chung Shui Ming, Timpson, GBS, JP was absent from the special general meeting of the Company held on 26 October 2016.

The Board of Directors of the Company (the "Board") continues to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

The Board is committed to making decisions in the best interests of both the Company and its shareholders (the "Shareholders"). The Board's primary responsibilities are to formulate the Company's long-term corporate strategy, to oversee the overall management of the Group's business and affairs, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board.

In addition, the Board has also established Board Committees and has delegated to these Board Committees various responsibilities set out in their terms of reference respectively.

CORPORATE GOVERNANCE REPORT

In the year under review and up to the date of this report, the Board comprises the following members:

Executive Directors

Dr. Charles Yeung, GBS, JP	*(Chairman)*
Mr. Yeung Chun Fan	*(Vice-chairman)*
Mr. Yeung Chun Ho	*(passed away on 14 January 2016)*
Mr. Pau Sze Kee, Jackson	
Mr. Hui Chung Shing, Herman, SBS, MH, JP	
Ms. Cheung Wai Yee	
Mr. Chan Wing Kan, Archie	
Ms. Yeung Yin Chi, Jennifer	*(appointed on 21 November 2016)*

Independent Non-executive Directors
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP
Mr. Wong Man Kong, Peter, BBS, JP
Dr. Lam Lee G.

One of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. The Company has complied with Rule 3.10A of the Listing Rules which requires the number of independent non-executive directors representing at least one-third of the Board.

The biographical details of and the relationship among the members of the Board are set out in the "Directors' and senior management's biographies" section in the Report of the Directors.

The roles of the Chairman and the Chief Executive Officer are separate and are performed by Dr. Charles Yeung, GBS, JP and the General Manager of the Group, Mr. Yeung Chun Fan, respectively. Their respective responsibilities are clearly defined and are set out in writing. Mr. Yeung Chun Fan is also the Vice-chairman of the Board.

The Chairman takes the lead in formulating and setting Group strategies and policies in conjunction with the Board; oversees the function of the Board and encourages and facilitates constructive relations between Executive and Independent Non-executive Directors.

The General Manager, supported by other Board members and the senior management, is responsible for overseeing the Group's business operation, implementing the strategies laid down by the Board and managing day-to-day operation.

CORPORATE GOVERNANCE REPORT

The Nomination Committee, which was established by the Board in March 2012, is responsible for reviewing its size, structure and composition (including the skills, knowledge and experience) of the members of the Board to ensure that the Board has a balance of expertise, skills, knowledge and experience appropriate for the business of the Company. On 15 November 2016, the Nomination Committee considered the appointment of Ms. Yeung Yin Chi, Jennifer as Executive Director and made recommendation to the Board for consideration. This appointment was approved by the Board and took effect on 21 November 2016.

The Nomination Committee has also reviewed and made recommendation to the Board on the appointments of the Directors standing for re-election at the forthcoming annual general meeting of the Company which is to be held on 2 June 2017. The Board has accepted such recommendation.

All the Independent Non-executive Directors are appointed for a specific term of two years and are required to retire and eligible for re-election at the annual general meeting of the Company in the year of expiry of the term.

The Board adopted a policy concerning the diversity of Board members in August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on personal virtue and meritocracy for constituting a high quality directorate team. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee monitors the implementation of the policy and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

Each Independent Non-executive Director has given the Company an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all the Independent Non-executive Directors to be independent.

CORPORATE GOVERNANCE REPORT

MEETINGS AND ATTENDANCE

The Board met on seven occasions during the year under review. The attendance of individual Directors at the Board meetings, the Board Committees (the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee) meetings, the annual general meeting for the year 2016 and the special general meeting is set out in the table below:

	Meetings Attended/Held						
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee	Annual General Meeting	Special General Meeting
Executive							
Dr. Charles Yeung, GBS, JP	5/7*			1/1	1/1	1/1	1/1
Mr. Yeung Chun Fan	5/7*				1/1	1/1	0/1
Mr. Pau Sze Kee, Jackson	7/7		2/2		1/1	1/1	1/1
Mr. Hui Chung Shing, Herman, SBS, MH, JP	7/7					1/1	1/1
Ms. Cheung Wai Yee	5/7^					1/1	0/1
Mr. Chan Wing Kan, Archie	6/7				0/1	1/1	1/1
Ms. Yeung Yin Chi, Jennifer	2/2#				1/1		
Independent Non-executive							
Mr. Lau Hon Chuen, Ambrose, GBS, JP	6/7	2/2		1/1		0/1	1/1
Dr. Chung Shui Ming, Timpson, GBS, JP	4/7	0/2	2/2	1/1		0/1	0/1
Mr. Wong Man Kong, Peter, BBS, JP	7/7	1/2	2/2		1/1	0/1	1/1
Dr. Lam Lee G.	6/7	2/2			1/1	1/1	1/1

* *these Directors had material interest in the connected transactions discussed at two Board meetings and hence they abstained from attending those meetings*

^ *this Director abstained from attending two Board meetings due to her relationship with those Directors who had material interest in the transactions*

\# *Ms. Yeung Yin Chi, Jennifer was appointed as Executive Director on 21 November 2016*

During the year under review, the Chairman of the Board had a meeting with the Independent Non-executive Directors without the presence of Executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee in accordance with the CG Code to oversee particular aspects of the Company's affairs. All or a majority of the members of the Committees are Independent Non-executive Directors. The Board Committees have clear written terms of reference and have to report to the Board on their decisions and recommendations.

On 10 December 2015, the Investment Committee was established by the Board with specific written terms of reference. Further details of the Investment Committee are set out in the latter part of this report.

The Audit Committee

The Audit Committee has been established since 1998. Currently it comprises four Independent Non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, GBS, JP (Committee Chairman), Dr. Chung Shui Ming, Timpson, GBS, JP, Mr. Wong Man Kong, Peter, BBS, JP and Dr. Lam Lee G. While recognising the Audit Committee plays an important role in corporate governance, the Board has delegated the corporate governance functions to the Audit Committee. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Apart from corporate governance functions, the main responsibilities of the Audit Committee are to review the accounting principles and practices adopted by the Group and to review the effectiveness of the financial reporting process and internal control system of the Group.

The Audit Committee held two meetings during the year under review. The work of the Audit Committee in 2016 included the following:

– review of the annual results announcement, financial statements, report of the Directors and corporate governance report for the year 2015

– review of the 2016 interim results announcement and interim report

– review of the internal audit reports and risks assessment report, all prepared by the internal audit department of the Company

– review of continuing connected transactions for the year 2015 and for the six months ended 30 June 2016

CORPORATE GOVERNANCE REPORT

- review of the terms of engagement and the remuneration of the external auditors
- assessment of the independence of the external auditors
- review of a report prepared by the external auditors on any issues arising from their audits

In addition, during the year under review, the Audit Committee met with the external auditors of the Company on one occasion and met with the head of the internal audit department of the Company in a separate private session respectively, both in the absence of management. The Audit Committee has also performed the corporate governance duties as delegated to it by the Board.

The Remuneration Committee

Currently, the Remuneration Committee comprises two Independent Non-executive Directors, namely Mr. Wong Man Kong, Peter, BBS, JP (Committee Chairman) and Dr. Chung Shui Ming, Timpson, GBS, JP and an Executive Director, Mr. Pau Sze Kee, Jackson. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Directors and senior management. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The main responsibilities of the Remuneration Committee are to review and endorse the remuneration policy of the Directors and senior management and to make recommendations to the Board for the remuneration of the Directors and senior management. The Remuneration Committee ensures that no Director is involved in deciding his/her own remuneration.

The Remuneration Committee held two meetings during the year under review.

The work of the Remuneration Committee in 2016 included the following:

- approval of and recommendation to the Board on 2016 salary increases, 2015 year-end bonuses and performance bonuses for the Executive Directors and senior management
- approval of the remuneration package of the newly appointed Director

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

Remuneration band	Number of individuals
Below HK$1,500,000	2
HK$2,500,001 – HK$3,000,000	1
HK$3,500,001 – HK$4,000,000	1
HK$4,000,001 – HK$4,500,000	1

Details of the directors' fee and other emoluments of the Directors are set out in note 8 to the financial statements.

The Nomination Committee

The Nomination Committee comprises the Chairman of the Board, Dr. Charles Yeung, GBS, JP (Committee Chairman) and two Independent Non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, GBS, JP and Dr. Chung Shui Ming, Timpson, GBS, JP. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee is responsible for making recommendations to the Board on nominations and appointments of Directors, reviewing the size, structure and composition of the Board, and assessing the independence of Independent Non-executive Directors.

The Nomination Committee held one meeting during the year under review.

The work of the Nomination Committee in 2016 included the following:

– review of the structure, size and composition (including the skills, knowledge and experience) of the Board

– assessment of the independence of all Independent Non-executive Directors

– recommendation to the Board on the re-election of Directors

– review of the Board diversity policy

– consideration of and recommendation to the Board on the appointment of a new Director

CORPORATE GOVERNANCE REPORT

The Investment Committee

The Board set up the Investment Committee on 10 December 2015 with specific written terms of reference. The Investment Committee comprises five Executive Directors (Dr. Charles Yeung, GBS, JP (Committee Chairman), Mr. Yeung Chun Fan, Mr. Pau Sze Kee, Jackson, Mr. Chan Wing Kan, Archie, Ms. Yeung Yin Chi, Jennifer), two Independent Non-executive Directors (Mr. Wong Man Kong, BBS, JP and Dr. Lee Lam G.) and one senior staff.

The Investment Committee is responsible for setting up and reviewing investment policy of the Company and to monitor the performance of investment portfolio of the Company.

The Investment Committee held one meeting during the year under review.

The work of the Investment Committee in 2016 included the following:

– review and approval of the financial investment policy

– monitoring of the performance of financial investment portfolio and review of the associated risk levels

– recommendation on strategic plan of financial investment activities

DIRECTORS' TRAINING

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. All Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, Directors are from time to time updated with the changes and development to the Group's business and to the political and economic environment in which the Group operates.

On appointment, the new Director, Ms. Yeung Yin Chi, Jennifer, received an induction covering, among others, information about the Group's operations and business, the roles and responsibilities of a director under the applicable laws, rules and regulations.

According to the records kept by the Company, the Directors received the following training in the year under review:

Directors	
Executive	
Dr. Charles Yeung, GBS, JP	A, B, C
Mr. Yeung Chun Fan	A, B, C
Mr. Pau Sze Kee, Jackson	A, C
Mr. Hui Chung Shing, Herman, SBS, MH, JP	A, C
Ms. Cheung Wai Yee	A, C
Mr. Chan Wing Kan, Archie	A, C
Ms. Yeung Yin Chi, Jennifer	A, C
Independent Non-executive	
Mr. Lau Hon Chuen, Ambrose, GBS, JP	A, C
Dr. Chung Shui Ming, Timpson, GBS, JP	A, C
Mr. Wong Man Kong, Peter, BBS, JP	A, C
Dr. Lam Lee G.	A, C

A: attending seminars and/or conferences and/or forums
B: giving talks at seminars and/or conferences and/or forums
C: reading newspapers, journals and updates relating to the economy, retail, export or production of apparels, or director's duties and responsibilities etc.

LIABILITY INSURANCE FOR THE DIRECTORS

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities against possibility of legal action to be taken against the Directors and the senior management. In 2016, no claims under the insurance policy were made.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transaction as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (the "Model Code").

The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code throughout the year under review.

CORPORATE GOVERNANCE REPORT

EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted dealing rules based on the Model Code (the "Dealing Rules") governing securities transactions by the employees of the Group who are likely to be in possession of unpublished inside information in relation to the Group. These employees have been individually notified and provided with a copy of the Dealing Rules.

INSIDE INFORMATION POLICY

The Board approved and adopted the Inside Information Policy in 2013. The policy contains the guidelines to the Directors, officers and all relevant employees (likely possessing unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations.

FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare consolidated financial statements for each financial year which give a true and fair view in accordance with Hong Kong Financial Reporting Standard and is in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. The Board is not aware of any material uncertainties relating to the events or condition that might cast doubt upon the Company's ability to continue as a going concern. Accordingly, the Board has prepared the consolidated financial statements of the Group on a going concern basis.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports and other financial disclosures required under the Listing Rules, and reports to the regulators and information disclosed under statutory requirements.

The responsibilities of the external auditors with respect to the financial reporting are set out in the Independent Auditor's Report contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its overall responsibilities for maintaining the Group's risk management and internal control systems and for reviewing their effectiveness. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and to safeguard the assets of the Group and the interests of the Shareholders. The systems provide reasonable but not absolute assurance against material misstatement or loss. The review of the systems, which cover material control areas including financial, operational and compliance, has been carried out from time to time and at least annually.

Main features of the risk management and internal control systems

The systems are featured with defined organisational and management structure with authorities properly delegated to qualified personnel from different management levels within the Group, as well as established policies and procedures.

The Board – it determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives; and thus bears the ultimate accountability for the effectiveness of the risk management;

The Management – it comprises different levels and departments (including their heads)；it identifies, and evaluates the risks that may cause potential impact to the major processes of the business; it monitors risks and takes measures to mitigate risks in day-to-day operations; and

Internal audit – with the support and supervision of the Audit Committee, it coordinates the risk assessment exercises and procedures, communicates with the management on the identified risks and impacts to facilitate the implementation of risk mitigation measures, and follows up the results of such measures through its audit work; and reports the overall results to the Board and the Audit Committee.

The Board considers that the Group's internal control system is adequate and effective and the Company has complied with the code provisions of the CG Code for the year ended 31 December 2016.

Internal audit

The Group has established an independent internal audit department for years. The internal audit department plays an important role in helping review and evaluate the effectiveness of the risk management and internal control systems.

Internal audit work has been carried out based on the recognised control framework outlined by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Internal Audit Department formulates annually its internal audit plan on a risk-based approach and in accordance with the Group's strategic goals and risk assessment results; the annual internal audit plan is endorsed by the Audit Committee. Key audit findings and risk factors are reported to the Board and the Audit Committee. No material control failure or significant areas of concern which might affect Shareholders' interests were found for the year under review.

CORPORATE GOVERNANCE REPORT

Inside Information

The Company has established a policy on disclosure of inside information to ensure inside information of the Company remains confidential until proper dissemination of such information to the public is made in equal and timely manner as required under the Securities and Futures Ordinance and the Listing Rules.

AUDITORS' REMUNERATION

The fees in respect of audit and non-audit services provided to the Group by the external auditors of the Company, Ernst & Young, for the year ended 31 December 2016 amounted to approximately HK$3,200,000 and HK$484,100 respectively. The non-audit services included tax and other services.

COMMUNICATIONS WITH SHAREHOLDERS

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communications between its Shareholders and the Board. At the Company's 2016 annual general meeting, the Chairman of the Board (also the Chairman of the Nomination Committee), the Chairman of the Remuneration Committee, the duly appointed delegate of the Chairman of the Audit Committee, as well as the external auditors were present to answer Shareholders' questions.

The Company also maintains a website at www.glorisun.com which enables Shareholders, investors and the general public to have access to the information of the Company.

A shareholder communication policy reflecting the current practices of the Company for communication with its Shareholders is available on the Company's website.

SHAREHOLDERS' RIGHTS

The Company has only one class of shares. All shares have the same voting rights and are entitled to the dividend declared. The rights of the Shareholders are set out in, amongst other things, the Bye-laws of the Company and the Companies Act 1981 of Bermuda (the "Companies Act").

Procedures for Shareholders to convene a special general meeting

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 have the right, by written requisition to the Board or the secretary of the Company or at the registered office of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition pursuant to Section 74 of the Companies Act. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provision of Section 74(3) of the Companies Act.

The written requisition requiring a special general meeting to be called can be sent to the principal place of business of the Company as set out in the "Corporate Information" section of this annual report for the attention of the Company Secretary.

Procedures for putting forward proposals at a general meeting

Shareholders may by written requisition request for including a resolution relating to matters in a general meeting by following the requirements and procedures as set out in Sections 79 and 80 of the Companies Act.

Subject to the provisions of the above-mentioned sections of the Companies Act, on the written requisition of members representing not less than one-twentieth of the total voting rights or 100 members, at the expense of the requisitionists unless the Company otherwise resolves, the Company shall give shareholders of the Company notice of any resolution which may properly be moved and is intended to be moved at that meeting and a relevant statement.

Procedures for Shareholders to propose a person for election as a Director

As regards the procedures for Shareholders to propose a person for election as a Director, please refer to the procedures available on the websites of the Company and the Stock Exchange.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay, Hong Kong

Fax: (852) 2995 3060
Email: enquiry@glorisun.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Company's subsidiaries are engaged in the retailing, export and production of casual wear and financial investments.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement set out on pages 9 to 17 of this annual report. This discussion forms part of this Directors' report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the Group's financial position at that date are set out in the financial statements on pages 62 to 174.

An interim dividend of HK2.50 cents per ordinary share was paid on 27 September 2016. The Directors recommended the payment of a final dividend of HK3.20 cents per ordinary share in respect of the year, to shareholders on the register of members on 9 June 2017.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 177 and 178 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's authorised or issued share capital and share options during the year are set out in notes 32 and 33 to the financial statements.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$485,770,000, of which HK$49,155,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$739,640,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$552,000.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

DIRECTORS

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

Executive Directors
Dr. Charles Yeung, GBS, JP *(Chairman)*
Mr. Yeung Chun Fan *(Vice-chairman)*
Mr. Yeung Chun Ho *(passed away on 14 January 2016)*
Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, SBS, MH, JP
Ms. Cheung Wai Yee
Mr. Chan Wing Kan, Archie
Ms. Yeung Yin Chi, Jennifer *(appointed on 21 November 2016)*

Independent Non-executive Directors
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP
Mr. Wong Man Kong, Peter, BBS, JP
Dr. Lam Lee G.

REPORT OF THE DIRECTORS

In accordance with bye-law 110(A) of the Company's Bye-laws, Mr. Yeung Chun Fan, Mr. Hui Chung Shing, Herman, SBS, MH, JP and Mr. Chan Wing Kan, Archie will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 101 of the Company's Bye-laws, Ms. Yeung Yin Chi, Jennifer will retire and, being eligible, offer herself for re-election at the forthcoming annual general meeting.

Mr. Lau Hon Chuen, Ambrose, GBS, JP, Dr. Chung Shui Ming, Timpson, GBS, JP and Dr. Lam Lee G. will also retire at the forthcoming annual general meeting at which their term of appointment will expire, and they are eligible for re-election.

The Company has received annual confirmation from each of the Independent Non-executive Directors as regards their independence to the Company and considers that each of the Independent Non-executive Directors is independent of the Company. Details are set out in the Corporate Governance Report on pages 26 to 38.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

The Bye-laws of the Company provides that the directors and officers for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty. The Company has also arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" below and in note 39 to the financial statements, no Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2016, the interests or short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in shares of the Company

Name of Director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Dr. Charles Yeung, GBS, JP	(i) Interest of controlled corporations	834,123,000	968,358,499 (1) & (2)	63.041
	(ii) Joint interest	134,235,499		
Mr. Yeung Chun Fan	(i) Beneficial owner	1,500,000	979,953,499 (1), (2) & (3)	63.796
	(ii) Interest of controlled corporations	834,123,000		
	(iii) Joint interest	134,235,499		
	(iv) Interest of spouse	10,095,000		
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.610
Mr. Hui Chung Shing, Herman, SBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.407
Ms. Cheung Wai Yee	(i) Beneficial owner	10,095,000	979,953,499 (1), (2) & (3)	63.796
	(ii) Interest of spouse	969,858,499		
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	1,492,402	1,492,402	0.097
Dr. Chung Shui Ming, Timpson, GBS, JP	Beneficial owner	408,000	408,000	0.027

REPORT OF THE DIRECTORS

Notes:

(1) 622,263,000 shares were held by Glorious Sun Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, GBS, JP and as to 48.066% by Mr. Yeung Chun Fan), 207,810,000 shares were held by Advancetex Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Mr. Charles Yeung and as to 48.066% by Mr. Yeung Chun Fan) and 4,050,000 shares were held by G. S. Strategic Investment Limited (the entire issued voting share capital of which was held as to 50% by each of Mr. Charles Yeung and Mr. Yeung Chun Fan).

(2) 134,235,499 shares were held by Mr. Charles Yeung and Mr. Yeung Chun Fan jointly.

(3) Ms. Cheung Wai Yee is the spouse of Mr. Yeung Chun Fan. 10,095,000 shares related to the same block of shares held by Ms. Cheung Wai Yee and 834,123,000 shares related to the same block of shares held by three companies controlled by Mr. Yeung Chun Fan.

Save as disclosed above, as at 31 December 2016, none of the directors of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

Particulars of the share options granted to employees of the Company are set out in note 33 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive Directors

Dr. YEUNG Chun Kam, GBS, JP, alias Charles YEUNG, aged 70, is the founder and Chairman of the Group. He is responsible for the Group's business strategies. Dr. Yeung has over 45 years of experience in the garment industry. He was an awardee of the "Young Industrialist Award of Hong Kong" in 1991 and was conferred an honorary doctorate degree by the China Textile University in 1993 and an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2002. Dr. Yeung is a Member of the National Committee of the Chinese People's Political Consultative Conference and a Life Honorary Chairman of The Chinese General Chamber of Commerce. Dr. Yeung is a director and a shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this report).

Mr. YEUNG Chun Fan, aged 64, is the Vice-chairman and General Manager of the Group which he joined in 1975. He has over 40 years of experience in the garment industry. Mr. Yeung is an Honorary Fellow Member of the Hong Kong Institution of Textile and Apparel, the President of The Federation of Hong Kong Garment Manufacturers, the Chairman of Clothing Industry Training Authority, an advisory professor of the Nanjiang University, the East China University and the Qingdao University. Mr. Yeung is a Member of the Standing Committee of the Hebei Committee of The Political Consultative Conference, a Vice-chairman of the China Association of Enterprises with Foreign Investment and a Vice-president of the China National Garment Association. Mr. Yeung is responsible for the Group's overall business operations. He is a brother of Dr. Charles Yeung, GBS, JP. Mr. Yeung is a director and a shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this report).

Mr. PAU Sze Kee, Jackson, aged 65, joined the Group in 1987 and is a Deputy General Manager of the Group. Mr. Pau graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. Before joining the Group, he had worked in several financial institutions and a listed trading company in the United Kingdom for more than 10 years. He is responsible for the Group's retail operations in Australasia and the Pacific Islands.

REPORT OF THE DIRECTORS

Mr. HUI Chung Shing, Herman, SBS, MH, JP, aged 66, is responsible for the strategic planning and legal matters of the Group. Mr. Hui graduated from the University of Hong Kong with a bachelor's degree in Laws. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has also been admitted as a solicitor of the Supreme Court of England and Wales and as a solicitor and barrister of the Supreme Court of Victoria, Australia. Before joining the Group in 1995, Mr. Hui was the Group's external legal advisor. In 2010, he was conferred Honorary Fellow of the Vocational Training Council.

Ms. CHEUNG Wai Yee, aged 65, joined the Group in 1975 and is responsible for the development of retail business in Mainland China. Ms. Cheung is the wife of Mr. Yeung Chun Fan.

Mr. CHAN Wing Kan, Archie, aged 70, has been an Executive Director of the Company since August 2005 and was the Group's business consultant in the past. Mr. Chan graduated from the University of New South Wales, Australia with a bachelor's degree in Commerce. He is a Member of the Hong Kong Institute of Certified Public Accountants and Chartered Accountants Australia and New Zealand. Mr. Chan has extensive experience in corporate investment and management. He is responsible for the business development of the Group.

Ms. YEUNG Yin Chi, Jennifer, aged 37, has many years of experience in financial investment industry. She is responsible for the Group's financial investment business. Ms. Yeung graduated from the Hong Kong Baptist University with a bachelor's degree in Business Administration. Ms. Yeung is a niece of Dr. Charles Yeung, GBS, JP and Mr. Yeung Chun Fan.

REPORT OF THE DIRECTORS

Independent Non-executive Directors

Mr. LAU Hon Chuen, GBS, JP, alias Ambrose LAU, aged 69, has been an Independent Non-executive Director of the Company since March 1997. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr. Lau is the senior partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is currently an Independent Non-executive Director of China Jinmao Holdings Group Limited, Yuexiu Property Company Limited, Yuexiu Transport Infrastructure Limited, Joy City Property Limited, Brightoil Petroleum (Holdings) Limited and The People's Insurance Company (Group) of China Limited. He is also a Director of OCBC Wing Hang Bank Limited, OCBC Wing Hang Bank (China) Limited, Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Cinda Financial Holdings Co., Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominee & Secretarial Services Limited, Helicoin Limited, Wyman Investments Limited and Polex Limited. Mr. Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Dr. CHUNG Shui Ming, Timpson, GBS, JP, aged 65, has been an Independent Non-executive Director of the Company since September 2004. Dr. Chung holds a Master of Business Administration Degree and was awarded the degree of Doctor of Social Sciences, honoris causa, by the City University of Hong Kong ("CityU"). Dr. Chung is the Pro-Chancellor of CityU and a Fellow Member of the Hong Kong Institute of Certified Public Accountants. Currently he is an Independent Non-executive Director of Miramar Hotel and Investment Company, Limited, China Unicom (Hong Kong) Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, China Construction Bank Corporation and Jinmao Investments and Jinmao (China) Investments Holdings Limited and he is an Independent Director of China State Construction Engineering Corporation Limited. He is also a Member of National Committee of the 12th Chinese People's Political Consultative Conference.

Mr. WONG Man Kong, Peter, BBS, JP, aged 68, has been an Independent Non-executive Director of the Company since August 1996. Mr. Wong is a graduate of the University of California at Berkeley in USA with a bachelor of science degree in Mechanical Engineering (Naval Architecture) and was an awardee of the "Young Industrialist Award of Hong Kong" in 1988. Mr. Wong is the Chairman of M.K. Corporation Ltd., a Director of Hong Kong Ferry (Holdings) Co. Ltd., China Travel International Investment Hong Kong Limited, Sun Hung Kai & Co. Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Energy Corporation Limited, MGM China Holdings Limited and the Chairman of North West Development Ltd. He is a Deputy of the 12th National People's Congress of the PRC, the Standing Committee Vice Chairman of Hong Kong Pei Hua Education Association, Executive Chairman of China Chamber of Commerce, a Director of Ji Nan University and a Senior Member of The University of Hong Kong Foundation for Educational Development and Research.

REPORT OF THE DIRECTORS

Dr. LAM Lee G., aged 57, has been a Non-executive Director of the Company since September 2004 and was re-designated as an Independent Non-executive Director of the Company with effect from 20 August 2012. He holds a Bachelor of Science Degree in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration Degree, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the United Kingdom, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in law from the University of Wolverhampton in the United Kingdom, a Master of Public Administration and a Doctor of Philosophy Degree from The University of Hong Kong. A former member of the Hong Kong Bar, Dr. Lam is a Solicitor of the High Court of Hong Kong, an Honorary Fellow of CPA Australia and a Fellow of CMA Australia. Dr. Lam has over 30 years of multinational general management, management consulting, corporate governance, investment banking, direct investment and investment fund management experience, and also serves on the board of directors, the investment committee and the advisory committee of a number of publicly-listed companies, investment funds and NGOs in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, a Member of the Legal Aid Services Council, a Member of the New Business Committee of the Financial Services Development Council (FSDC), a Member of the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx), a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies and Honorary Chairman—Asia Pacific of CMA Australia, Dr. Lam is Chairman of Hong Kong Cyberport Management Company Limited, a Member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference (CPPCC), a Vice Chairman of Liaoning Chinese Overseas Friendship Association, Vice Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory Council (EBAC) and Chairman of its Task Force on Banking and Finance, Chairman of the Permanent Commission on Economic and Financial Issues of World Union of Small and Medium Enterprises (WUSME), a Member of Sir Murray MacLehose Trust Fund Investment Advisory Committee, a Member of the Hong Kong Institute of Bankers, a Fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Member of the Court of City University of Hong Kong, Chairman of Monte Jade Science and Technology Association of Hong Kong, Chairman of Hong Kong—ASEAN Economic Cooperation Foundation (HKAECF), a Board Member of the Chinese General Chamber of Commerce of Hong Kong, Vice Chairman of the Hong Kong Myanmar Chamber of Commerce, a Founding Board Member and the Honorary Treasurer of the Hong Kong—Vietnam Chamber of Commerce, a Member of the Hong Kong—Thailand Business Council, a Founding Member of the Hong Kong—Korea Business Council, a Board Member of the Australian Chamber of Commerce in Hong Kong and Macau, and a Vice President of the Hong Kong Real Property Federation.

REPORT OF THE DIRECTORS

Senior Management

Mr. CHOW Hing Ping, aged 68, joined the Group in 1979 and is a Deputy General Manager of the Group. Mr. Chow is responsible for the administration and financial matters of the production and retail operations of the Group in Hong Kong and Mainland China.

Ms. CHEUNG Man Yee, Carmen, aged 66, joined the Group in 1982 and is responsible for the Group's product development and marketing operations. Ms. Cheung graduated from the University of Hawaii in USA with a bachelor's degree in Arts. Prior to joining the Group, she was the manager of the sales and purchase department in one of the largest department stores in USA. Ms. Cheung is the sister of Ms. Cheung Wai Yee.

Mr. Mark Stephen DAYNES, aged 58, is the Chief Executive Officer for the Group's retail operations of Jeanswest Australia and New Zealand as well as the Pacific Islands and Russian franchise operation. Before joining the Group in 2011, Mr. Daynes' previous international retail experience spanned over 30 years working for major retail companies in the United Kingdom and Australia, as well as extensive apparel experience in the USA, Mexico and Canada.

Mr. LAI Man Sum, alias Sam LAI, aged 55, joined the Group in 1991 and is the Chief Accountant of the Group. Mr. Lai graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. He is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and a Member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Lai worked for an international accounting firm and a garment company for many years.

Mr. MUI Sau Keung, alias Isaac MUI, aged 54, joined the Group in 1993. He was appointed as the Company Secretary with effect from December 2005. Mr. Mui graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. He is a member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Mui worked in various companies in Hong Kong responsible for finance, personnel and administrative functions.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the register required to be kept by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than directors of the Company) had disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Percentage of issued share capital (%)
Glorious Sun Holdings (BVI) Limited	Beneficial owner	622,263,000	40.510
Advancetex Holdings (BVI) Limited	Beneficial owner	207,810,000	13.529

Save as disclosed above, no other parties (other than directors of the Company) disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2016.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions, the disclosure requirements of which were complied with in accordance with Chapter 14A of the Listing Rules.

On 1 September 2016, 江蘇真維斯服飾有限公司 (Jiangsu Jeanswest Apparels Company Limited)[@] and 湖南真維斯服飾有限公司 (Hunan Jeanswest Apparels Company Limited)[@], indirect wholly-owned subsidiaries of the Company, entered into agreements as sellers to dispose of two properties in the PRC to 惠州旭興置業有限公司 (Huizhou Yuxing Property Company Limited)[@], a company controlled by Dr. Charles Yeung, GBS, JP and Mr. Yeung Chun Fan, both are directors and substantial shareholders of the Company, at a total consideration of RMB118,780,000. Details of the transactions are set out in the Company's announcement dated 1 September 2016 and circular dated 23 September 2016. The transactions were approved at a special general meeting of the Company held on 26 October 2016.

On 22 November 2016, Glorious Sun Enterprises (BVI) Limited, a wholly-owned subsidiary of the Company, as seller entered into a sale and purchase agreement with Star Profit Industries Limited (as purchaser), pursuant to which the seller agreed to sell benefit of the sale loan to the purchaser and the purchaser agreed to take such assignment of the benefit of the sale loan at a cash consideration of HK$56,553,021. The purchaser is a company owned by Mr. Charles Yeung and Mr. Yeung Chun Fan. Details of the transaction are set out in the Company's announcement dated 22 November 2016.

@ Official names of these entities are in Chinese. The English translation of the names is for identification purposes only.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

	Notes	2016 HK$'000	2015 HK$'000
Rental expenses paid to:	(i)		
G. S. (Yeungs) Limited		**1,125**	1,104
Harbour Guide Limited		**3,889**	3,876
Rank Profit Industries Limited		**10,230**	11,250
銀富房產(惠州)有限公司 (Yin Fu Properties (Huizhou) Company Limited)@		**762**	904
惠州市惠富置業有限公司 (Huizhou Hui Fu Properties Company Limited)@		**1,539**	1,631
瀋陽市惠富房產有限公司 (Shenyang Hui Fu Properties Company Limited)@		**398**	723
Yeung Cheung Yip and Yeung Hon Yip		**8,073**	2,479
Gloryear Management Limited		**695**	867
Yeung's Family#		**1,250**	1,325
		27,961	24,159
Management fees paid to:	(ii)		
Rank Profit Industries Limited		**1,855**	2,027
惠州市城市花園物業管理有限公司(Huizhou City Garden Property Management Company Limited)@		**48**	62
		1,903	2,089
Total		**29,864**	26,248
Goods purchased from:			
惠州新安製衣廠有限公司 (Huizhou Xin An Garment Mfy. Company Limited)@		**–**	8,519

REPORT OF THE DIRECTORS

Notes:

(i) The rental expenses were charged with reference to the prevailing open market rentals.

(ii) The management fees were charged according to the management services agreement signed between the parties having regard to the cost of services provided.

@ Official names of these entities are in Chinese. The English translation of the names is for identification purpose only.

Yeung's family means Yeung Chun Kam, Yeung Chun Fan, the late Yeung Chun Ho, Yeung Yuk Wai, Yeung Wai, Ho Yu Chun, Yeung Chun Ip, David, Yeung Tak Ip, 楊振炎, 楊玉馨, 楊玉群, 楊杰霖, 蔡曉雲 and 楊尼拉.

All of the above companies are controlled by (1) Dr. Charles Yeung, GBS, JP and Mr. Yeung Chun Fan or (2) Mr. Yeung Chun Fan and Ms. Cheung Wai Yee, all of whom are directors of the Company or (3) Mr. Yeung Chun Fan, Ms. Cheung Wai Yee and their sons. Mr. Yeung Cheung Yip and Mr. Yeung Hon Yip are sons of Mr. Yeung Chun Fan.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year.

EQUITY-LINKED AGREEMENTS

Save as those disclosed in the sections headed "Share Option Schemes" in this Directors' report, no other equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2016.

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

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

EMOLUMENT POLICY

The remuneration committee reviews the emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with the code provisions as set out in the CG Code in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016, save and except for the deviation from code provision A.6.7 of the CG Code. Details are set out in the Corporate Governance Report on pages 26 to 38.

REPORT OF THE DIRECTORS

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' information since the publication of the Interim Report of the Company for the six months ended 30 June 2016, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Dr. Lam Lee G. is a director of Sino Resources Group Limited, a public listed company in Hong Kong which has changed its name to Elife Holdings Limited.

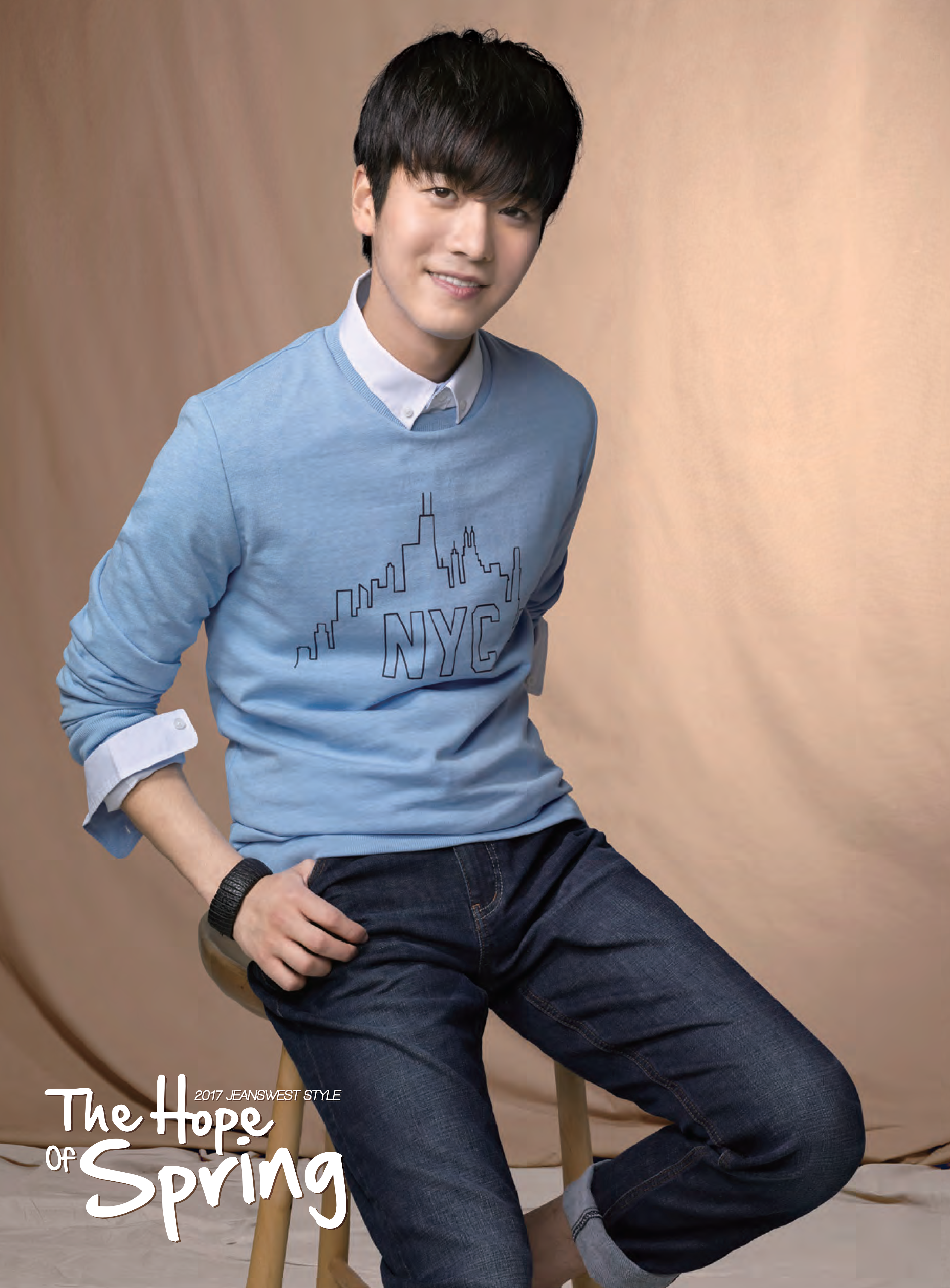
AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dr. Charles Yeung, GBS, JP
Chairman

Hong Kong, 27 March 2017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INDEPENDENT AUDITOR'S REPORT

EY 安永

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Glorious Sun Enterprises Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 174, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Inventory provision assessment	
The Group sells apparel and is subject to changing consumer demands and fashion trends, therefore, the level of judgement involved in estimating inventory provision increases. Judgement is required to assess the appropriate level of provisioning for inventories which may be sold below cost as a result of a change in consumer demand. Such judgements include management's expectations for future sales and product promotion plans. As at 31 December 2016, the Group had inventories of approximately HK$476 million, which accounted for 11.6% of the Group's total assets. The accounting policies and disclosures in relation to inventory provision are included in notes 2.4, 3, 7 and 21 to the financial statements.	We obtained an understanding of the inventory provisioning policy and how it was applied and evaluated the policy and whether the inventory provision was made in accordance with the policy. We involved our internal information technology specialists to re-perform the stock ageing report and re-calculated the amount of inventory provision with reference to the stock ageing analysis to evaluate mathematical accuracy. We examined management's estimation regarding the obsolescence percentage applied and expected future sales levels based on past experience, subsequent sales status and market-specific considerations.
Goodwill impairment assessment	
As at 31 December 2016, the Group had goodwill of approximately HK$34.5 million which was allocated to the New Zealand retail operations cash-generating unit ("CGU"). The determination of recoverable amount, being the higher of fair value less costs of disposal and value-in-use, requires management's judgements in both identifying and then valuing the CGU. The recoverable amount is based on management's estimates of variables such as budgeted gross margins, growth rate and discount rate. The accounting policies and disclosures in relation to goodwill are included in notes 2.4, 3 and 16 to the financial statements.	We reviewed management's assessment of the recoverable amount of goodwill. Our procedures included examining and recalculating management's discounted cash flow projections for the determination of value-in-use and assessing the assumptions such as the budgeted revenue, gross margin and growth rates by comparing to historical trend analyses. We also performed sensitivity analysis on the projections and assumptions used to determine the recoverable amount.

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Current and deferred income taxes	
The Group's tax payable, deferred tax assets and deferred tax liabilities as at 31 December 2016 are valued at approximately HK$94.2 million, HK$62.3 million and HK$40.1 million, respectively. Due to the Group's business being operated in a number of different tax jurisdictions, the complexities of local tax regulations require management to make judgements and estimates in relation to tax exposures. Change in assumptions about the decisions that might be taken by relevant tax authorities can materially impact the level of provisions recorded in the financial statements and there are significant judgements in estimating the amount of provision for taxes required.	We obtained an understanding and evaluated the estimations made by management in arriving at the provision for tax exposures. We also involved our internal tax specialists to assist with the evaluation of the tax provision recognised. We performed audit procedures on the recognition of deferred tax balances based on local tax regulations, and on the analysis of the recoverability of the deferred tax assets based on management's estimated future taxable income, by evaluating and testing the assumptions and assessing the profit forecasts used to determine the amounts recognised.
Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised for unused tax losses and other temporary differences to the extent that it is probable that taxable profits will be available against which the losses and the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The determination as to whether to accrue for deferred tax liabilities on undistributed profits of the Group's PRC subsidiaries in the Group's consolidated financial statements is subject to management's judgement on the timing of the payment of the dividends. Management estimated the deferred tax liability in relation to withholding tax based on information which included the management business plan.	Our audit procedures for the recognition of the deferred tax liability in relation to withholding tax included evaluating management's assumptions and estimates in relation to the likelihood of the Group's operations in Mainland China distributing a dividend in the foreseeable future. We discussed with management and assessed the assumptions used in the business plan. We also took into account the history of dividends paid by the subsidiaries in the past. Further, we assessed the Group's disclosures of the judgement in estimating recognised and unrecognised deferred tax balances.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Current and deferred income taxes (continued) The accounting policies and disclosures in relation to current and deferred income taxes are included in notes 2.4, 3, 10 and 31 to the financial statements.	

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 THE DIRECTORS 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

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

From the matters communicated with the Audit Committee, 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 Anthony S.T. Leung.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

27 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
REVENUE	5	**3,336,494**	4,389,016
Cost of sales		**(1,928,628)**	(2,498,406)
Gross profit		**1,407,866**	1,890,610
Other income and gains	5	**193,197**	154,352
Selling and distribution expenses		**(1,046,378)**	(1,320,141)
Administrative expenses		**(458,799)**	(595,436)
Other expenses		**(39,276)**	(72,130)
Finance costs	6	**(11,634)**	(6,912)
OPERATING PROFIT		**44,976**	50,343
Share of profits and losses of associates		**5,952**	6,033
PROFIT BEFORE TAX	7	**50,928**	56,376
Income tax credit	10	**40,823**	37,359
PROFIT FOR THE YEAR		**91,751**	93,735
Attributable to:			
Ordinary equity holders of the Company		**88,320**	88,152
Non-controlling interests		**3,431**	5,583
		91,751	93,735
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12	**HK cents**	HK cents
Basic and diluted		**6.29**	8.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
PROFIT FOR THE YEAR	**91,751**	93,735
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Change in fair value	**–**	(2,533)
Reclassification adjustments for gain on disposal included in the consolidated statement of profit or loss	**–**	(20,032)
	–	(22,565)
Exchange differences on translation of foreign operations	**(34,738)**	(44,046)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(34,738)**	(66,611)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	**9,016**	25,763
Income tax effect	**(2,493)**	(6,480)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**6,523**	19,283
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(28,215)**	(47,328)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**63,536**	46,407
Attributable to:		
Ordinary equity holders of the Company	**61,330**	41,640
Non-controlling interests	**2,206**	4,767
	63,536	46,407

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**480,794**	657,604
Investment properties	14	**220,250**	161,694
Prepaid land lease payments	15	**4,845**	5,307
Goodwill	16	**34,492**	34,492
Investments in associates	17	**–**	38,220
Held-to-maturity investments	18	**1,093,247**	660,482
Available-for-sale investment	19	**11,364**	12,048
Rental deposits	24	**14,511**	11,894
Deferred tax assets	31	**62,296**	37,575
Total non-current assets		**1,921,799**	1,619,316
CURRENT ASSETS			
Inventories	21	**476,357**	591,229
Interior decoration and renovation contracts	22	**23,461**	–
Trade and bills receivables	23	**329,745**	339,050
Prepayments, deposits and other receivables	24	**258,667**	320,880
Due from an associate	39(d)(ii)	**920**	55,823
Due from other related companies	25	**29,794**	1,535
Held-to-maturity investments	18	**203,181**	–
Listed equity investment at fair value through profit and loss	20	**9,243**	–
Cash and cash equivalents	27	**854,311**	733,436
Pledged deposits	27	**–**	30,396
Other investment	26	**–**	4,819
Total current assets		**2,185,679**	2,077,168
CURRENT LIABILITIES			
Trade and bills payables	28	**525,528**	595,808
Interior decoration and renovation contracts	22	**24,535**	–
Other payables and accruals	29	**519,135**	611,466
Due to an associate	39(d)(ii)	**30**	86
Interest-bearing bank and other borrowings	30	**425,839**	222,719
Tax payable		**94,199**	140,217
Total current liabilities		**1,589,266**	1,570,296
NET CURRENT ASSETS		**596,413**	506,872
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,518,212**	2,126,188

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

31 December 2016

	Notes	**2016 HK$'000**	2015 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing other borrowing	30	**–**	5,961
Provision		**13,159**	27,149
Deferred tax liabilities	31	**40,084**	43,884
Total non-current liabilities		**53,243**	76,994
Net assets		**2,464,969**	2,049,194
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	32	**153,609**	102,406
Reserves	34	**2,301,173**	1,937,432
		2,454,782	2,039,838
Non-controlling interests		**10,187**	9,356
Total equity		**2,464,969**	2,049,194

Charles Yeung, GBS, JP
Director

Yeung Chun Fan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

		Attributable to ordinary equity holders of the Company										
	Notes	Issued capital HK$'000 (note 32)	Share premium account HK$'000	Contributed surplus HK$'000 (note 34 (i))	Share option reserve HK$'000 (note 34 (ii))	Asset revaluation reserve HK$'000 (note 34 (iii))	Exchange fluctuation reserve HK$'000	Other reserves HK$'000 (note 34 (iv))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016		102,406	332,114	191,892	1,545	19,283	22,254	1,908	1,368,436	2,039,838	9,356	2,049,194
Profit for the year		–	–	–	–	–	–	–	88,320	88,320	3,431	91,751
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	(33,513)	–	–	(33,513)	(1,225)	(34,738)
Gains on property revaluation, net of tax		–	–	–	–	6,523	–	–	–	6,523	–	6,523
Total comprehensive income for the year		–	–	–	–	6,523	(33,513)	–	88,320	61,330	2,206	63,536
Rights issue	32	51,203	409,622	–	–	–	–	–	–	460,825	–	460,825
Rights issue expenses	32	–	(2,096)	–	–	–	–	–	–	(2,096)	–	(2,096)
Acquisition of non-controlling interest		–	–	–	–	–	–	(614)	–	(614)	614	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(1,989)	(1,989)
Equity-settled share option arrangements	33	–	–	–	(47)	–	–	–	–	(47)	–	(47)
Final 2015 dividend	11	–	–	–	–	–	–	–	(66,052)	(66,052)	–	(66,052)
Interim 2016 dividend	11	–	–	–	–	–	–	–	(38,402)	(38,402)	–	(38,402)
Transfer of share option reserve upon the forfeiture of share options		–	–	–	(1,438)	–	–	–	1,438	–	–	–
Deregistration of subsidiaries		–	–	(2,193)	–	–	–	1,156	1,037	–	–	–
Transfer within reserves		–	–	–	–	–	–	771	(771)	–	–	–
At 31 December 2016		153,609	739,640*	189,699*	60*	25,806*	(11,259)*	3,221*	1,354,006*	2,454,782	10,187	2,464,969

* These reserve accounts comprise the consolidated reserves of HK$2,301,173,000 (2015: HK$1,937,432,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

Year ended 31 December 2016

	Notes	Attributable to ordinary equity holders of the Company												
		Issued capital HK$'000 (note 32)	Share premium account HK$'000	Treasury shares HK$'000 (note 34 (v))	Contributed surplus HK$'000 (note 34 (i))	Share option reserve HK$'000 (note 34 (ii))	Asset revaluation reserve HK$'000 (note 34 (iii))	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Other reserves HK$'000 (note 34 (iv))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		104,936	368,604	(3,092)	191,892	1,477	–	22,565	65,484	1,427	1,380,937	2,134,230	11,336	2,145,566
Profit for the year		–	–	–	–	–	–	–	–	–	88,152	88,152	5,583	93,735
Other comprehensive income for the year:														
Available-for-sale investment:														
Change in fair value		–	–	–	–	–	–	(2,533)	–	–	–	(2,533)	–	(2,533)
Reclassification adjustment for gain on disposal		–	–	–	–	–	–	(20,032)	–	–	–	(20,032)	–	(20,032)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(43,230)	–	–	(43,230)	(816)	(44,046)
Gains on property revaluation, net of tax		–	–	–	–	–	19,283	–	–	–	–	19,283	–	19,283
Total comprehensive income for the year		–	–	–	–	–	19,283	(22,565)	(43,230)	–	88,152	41,640	4,767	46,407
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(6,747)	(6,747)
Equity-settled share option arrangements	33	–	–	–	–	68	–	–	–	–	–	68	–	68
Shares repurchased		–	–	(35,928)	–	–	–	–	–	–	–	(35,928)	–	(35,928)
Cancellation of shares repurchased	32	(2,530)	(36,490)	39,020	–	–	–	–	–	–	–	–	–	–
Final 2014 dividend		–	–	–	–	–	–	–	–	–	(65,127)	(65,127)	–	(65,127)
Interim 2015 dividend	11	–	–	–	–	–	–	–	–	–	(35,045)	(35,045)	–	(35,045)
Transfer within reserves		–	–	–	–	–	–	–	–	481	(481)	–	–	–
At 31 December 2015		102,406	332,114*	–*	191,892*	1,545*	19,283*	–*	22,254*	1,908*	1,368,436*	2,039,838	9,356	2,049,194

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**50,928**	56,376
Adjustments for:			
Finance costs	6	**11,634**	6,912
Share of profits and losses of associates		**(5,952)**	(6,033)
Bank interest income	5	**(4,790)**	(14,636)
Gain on disposal of an available-for-sale investment	5	**–**	(20,006)
Loss on derecognition of a held-to-maturity investment		**–**	287
Depreciation	7	**91,913**	111,558
Amortisation of prepaid land lease payments	7	**161**	171
Dividend income from an available-for-sale investment	5	**–**	(1,543)
Impairment of items of property, plant and equipment	7	**6,346**	3,176
Impairment/(reversal of impairment) of trade receivables, net	7	**(2,807)**	2,815
Loss/(gain) on disposal/write-off of items of property, plant and equipment	7	**(46,381)**	10,334
Provision/(write-back of provision) for inventories, net	7	**50,634**	(27,973)
Equity-settled share option expense/(credit)	7	**(47)**	68
Changes in fair value of investment properties	5	**(20,470)**	(599)
Effect of foreign exchange rate changes, net		**23,817**	23,458
		154,986	144,365
Decrease in inventories		**64,238**	158,572
Increase in interior decoration and renovation contracts		**1,074**	–
Decrease/(increase) in trade and bills receivables		**12,112**	(27,147)
Decrease in prepayments, deposits and other receivables		**59,587**	42,964
Increase in listed equity investment at fair value through profit or loss		**(9,243)**	–
Increase in amounts due from other related companies		**(28,259)**	(89)
Decrease in an amount due from an associate		**54,903**	19,265
Increase/(decrease) in trade and bills payables		**(70,280)**	15,904
Decrease in other payables and accruals		**(115,634)**	(180,954)
Decrease in an amount due to an associate		**(56)**	(16,643)
Cash generated from operations		**123,428**	156,237

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (Restated)
Cash generated from operations	**123,428**	156,237
Interest paid	**(11,634)**	(6,912)
Hong Kong profits taxes paid	**(6,684)**	(15,003)
Overseas taxes paid	**(22,537)**	(28,233)
Net cash flows from operating activities	**82,573**	106,089
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	**4,790**	14,636
Dividends received from an available-for-sale investment	**–**	1,543
Dividends received from an associate	**41,423**	–
Purchases of items of property, plant and equipment	**(72,911)**	(79,248)
Purchases of held-to-maturity investments	**(635,946)**	(198,324)
Purchases of investment properties	**–**	(29,421)
Proceeds from disposal of items of property, plant and equipment	**136,998**	2,067
Proceeds from disposal of an available-for-sale investment	**–**	16,957
Redemption of a held-to-maturity investment	**–**	37,500
Decrease in pledged deposits	**30,396**	803,045
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	**3,089**	38,218
Decrease/(increase) in other investment	**4,819**	(4,819)
Net cash flows from/(used in) investing activities	**(487,342)**	602,154
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from rights issue	**460,825**	–
Rights issue expenses	**(2,096)**	–
New bank and other loans	**926,731**	172,338
Repayment of bank and other loans	**(728,545)**	(952,096)
Shares repurchased	**–**	(35,928)
Dividends paid	**(104,454)**	(100,172)
Dividends paid to non-controlling shareholders	**–**	(2,530)
Net cash flows from/(used in) financing activities	**552,461**	(918,388)

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

Year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**147,692**	(210,145)
Cash and cash equivalents at beginning of year		**730,347**	972,090
Effect of foreign exchange rate changes, net		**(23,728)**	(31,598)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**854,311**	730,347
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**732,645**	613,038
Non-pledged time deposits with original maturity of three months or less when acquired		**121,666**	117,309
Non-pledged time deposits with original maturity of more than three months when acquired		**–**	3,089
Cash and cash equivalents as stated in the consolidated statement of financial position		**854,311**	733,436
Non-pledged time deposits with original maturity of more than three months when acquired		**–**	(3,089)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**854,311**	730,347

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31 December 2016

1. CORPORATE AND GROUP INFORMATION

Glorious Sun Enterprises Limited (the "Company") is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong.

During the year, the Group was involved in the retail, export and production of casual wear and financial investments.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Glorious Sun Enterprises (BVI) Limited	British Virgin Islands/ Hong Kong	US$200	100	–	Investment holding
Jeanswest (BVI) Limited#	British Virgin Islands	US$1	–	100	Investment holding
Jeanswest International (L) Limited#	Malaysia	US$1	–	100	Investment holding
Glorious Sun Licensing (L) Limited#	Malaysia	US$1	–	100	Holding of trademarks
Jeanswest Investments (Australia) Pty. Ltd.	Australia	AU$12,002,202	–	100	Investment holding
Jeanswest Wholesale Pty. Ltd.	Australia	AU$2	–	100	Trading of apparel

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Jeanswest Corporation Pty. Ltd.	Australia	AU$11,000,000 Ordinary AU$1,000,000 A class shares	–	100	Retail of apparel in Australia
Goldpromise Limited#	British Virgin Islands	US$2	–	100	Investment holding
Jeanswest Corporation (New Zealand) Limited	New Zealand	NZ$1,191,264 Ordinary	–	100	Retail of apparel in New Zealand
JW e-tailing (HK) Limited#	Hong Kong	HK$2 Ordinary	–	100	Trading of apparel
Jeanswest International (H.K.) Limited	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	–	100	Retail of apparel in Mainland China
Advancetex Investment Limited	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	–	100	Retail of apparel in Mainland China
Glorious Sun Industries (BVI) Limited#	British Virgin Islands	US$1	–	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Pacific Potential Trading Company Limited	Hong Kong	HK$200,000 Ordinary	–	100	Provision of agency services
Advancetex International Trading (HK) Company Limited	Hong Kong	HK$6,000,000 Ordinary	–	100	Trading and production of apparel
Advancetex Fashion Garment Mfy. (Hui Zhou) Limited (大進製衣廠(惠州)有限公司)*#@	Mainland China	US$10,000,000	–	100	Manufacture of apparel
Jeanswest Apparels (China) Company Limited (真維斯服飾(中國)有限公司)**#@	Mainland China	US$10,000,000	–	100	Manufacture and trading of apparel
Da Jin Trading (Huizhou) Company Limited (大進貿易(惠州)有限公司)*#@	Mainland China	HK$500,000	–	100	Trading of apparel
Rand Design Limited#	Hong Kong	HK$1 Ordinary	–	100	Garment design and trading of apparel
Full Yuen Investments Limited#	Hong Kong	HK$2 Ordinary	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jeanswest Overseas Development Limited	Hong Kong	HK$10,000 Ordinary	–	100	Investment holding
Shijiazhuang Changhong Building Decoration Engineering Company Limited ("Shijiazhuang Changhong") (石家莊常宏建築裝飾工程有限公司)**#@	Mainland China	US$5,150,000	–	65	Provision of interior decoration and renovation services
Glorious Sun Investment (China) Company Limited*#@ (旭日投資(中國)有限公司)	Mainland China	US$13,499,990	–	100	Investment holding

* Registered as wholly-foreign-owned enterprises under PRC law

** Registered as Sino-foreign equity joint ventures under PRC law

\# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

@ Official names of these entities are in Chinese. The English translation of the names is for identification purposes only.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain equity investment which have been measured at fair value.

These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION *(CONTINUED)*

Basis of consolidation *(continued)*

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has fully assessed and adopted, to the extent that is relevant to the Group, the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements to 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

(a) *(continued)*

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

NOTES TO FINANCIAL STATEMENTS

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarification to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKFRS 1 included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of Hong Kong Financial Report Standards*[2]
Amendments to HKFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to HKAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments in associates *(continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and equity investments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets *(continued)*

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

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties *(continued)*

(b) *(continued)*

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

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

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

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

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

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	1.67% – 5% or over the lease terms, whichever is shorter
Leasehold improvements	20% – 25% or over the lease terms, whichever is shorter
Plant and machinery	10% – 25%
Furniture, fixtures and office equipment	10% – 33%
Motor vehicles	20% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investment properties *(continued)*

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases *(continued)*

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Available-for-sale financial investment

Available-for-sale financial investment is the non-derivative financial asset in unlisted equity investment, which is neither classified as held for trading nor designated as at fair value through profit or loss.

When the fair value of unlisted equity investment cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investment is stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial asset in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade this financial asset due to inactive markets, the Group may elect to reclassify this financial asset if management has the ability and intention to hold the asset for the foreseeable future or until maturity.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payable, an amount due to an associate and interest-bearing bank and other borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial liabilities *(continued)*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or weighted average bases and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions *(continued)*

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from interior decoration and renovation contracts, on percentage of completion basis, as further explained in the accounting policy for "Interior decoration and renovation contracts" below;

(c) from the rendering of sub-contracting and management services, when the services have been rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial assets;

(e) dividend income, when the shareholders' right to receive payment has been established;

(f) rental income, on a time proportion basis over the lease terms; and

(g) commission and services income, when the services are rendered.

Interior decoration and renovation contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed overheads.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Interior decoration and renovation contracts *(continued)*

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 33 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payments *(continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for most of the Group's Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operated two defined contribution retirement benefit schemes for certain employees, the assets of which are held separately from those of the Group in independently administered funds. Under one of the schemes, contributions payable by the employers and employees were suspended in January 1994, but the administrator continues to manage and invest the assets of the scheme and to make payments to employees in accordance with the rules of the scheme. Under the other scheme, contributions were made based on a percentage of the eligible employees' salaries and were charged to the statement of profit or loss as they became payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amounts of forfeited contributions. These schemes are still operating at the end of the reporting period and up to the date of this report.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Other employee benefits *(continued)*

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

NOTES TO FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, where 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 expense in the future periods. The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of 3 to 60 years depending on the fixed assets' category. The policy on depreciation is detailed in note 2.4 to the financial statements. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Any change in this estimation may have a material impact on the Group's results.

Write-down of inventories to net realisable value

Management reviews the aged analysis of inventories of the Group at the end of each reporting period, and makes provision for inventory items identified that are no longer suitable for sale. The assessment of the provision amount required involves management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which estimate has been changed. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether provision needs to be made in respect of any obsolete inventories identified. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period. The directors of the Company are satisfied that sufficient provision for obsolete and slow-moving inventories has been made in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was HK$34,492,000 (2015: HK$34,492,000). Further details are given in note 16 to the financial statements.

Income taxes and deferred taxes

Due to the Group's business being operated in a number of different tax jurisdictions, the complexities of local tax regulations require management to make judgements and estimates in relation to tax exposures. Change in assumptions about the decisions that might be taken by relevant tax authorities can materially impact the level of provisions recorded in the financial statements and there are significant judgements in estimating the amount of provision for taxes required.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Income taxes and deferred taxes *(continued)*

Recognition of deferred tax assets, which principally relate to temporary differences in respect of provisions and tax losses, depends on management's expectation of future taxable profits that will be available against which the temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different. Further details are set out in note 31 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the "retail operations" segment engages in the retailing of casual wear;

(b) the "export operations" segment manufactures and exports apparel;

(c) the "financial investments" segment engages in the treasury management; and

(d) the "others" segment comprises, principally, the interior decoration and renovation businesses, and property investment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

In late 2015, the directors of the Company announced to develop a new business of investment in financial products. The investment strategy is principally investing into bonds issued by corporations with strong financial position. The operating results of this new business are separately reviewed and evaluated for management reporting purposes. Accordingly, the presentation of segment information for the year ended 31 December 2015 has been restated to reflect this change of segment composition.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Information regarding the Group's reportable segments, together with their related revised comparative information, is presented below:

By business

	Retail operations		Export operations		Financial investments		Others#		Total	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000 (Restated)	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000 (Restated)
Segment revenue:										
Revenue from external parties	2,886,316	3,894,339	336,393	441,524	104,485	51,410	9,300	1,743	3,336,494	4,389,016
Other income and gains	35,877	53,130	12,520	16,892	–	–	36,169	22,785	84,566	92,807
Total	2,922,193	3,947,469	348,913	458,416	104,485	51,410	45,469	24,528	3,421,060	4,481,823
Segment results	(52,890)	49,675	9,041	13,963	99,869	49,310	9,059	7,044	65,079	119,992
Interest income									4,790	14,636
Unallocated revenue									103,841	46,909
Corporate and other unallocated expenses									(117,100)	(124,282)
Finance costs									(11,634)	(6,912)
Share of profits and losses of associates	5,694	–	258	6,033	–	–	–	–	5,952	6,033
Profit before tax									50,928	56,376
Income tax credit									40,823	37,359
Profit for the year									91,751	93,735
Other segment information:										
Depreciation and amortisation	72,858	89,583	672	683	–	–	18,544	21,463	92,074	111,729
Impairment losses recognised in the consolidated statement of profit or loss	56,980	5,991	–	–	–	–	–	–	56,980	5,991
Impairment losses reversed in the consolidated statement of profit or loss	(2,807)	–	–	–	–	–	–	–	(2,807)	–
Other non-cash income, net	–	(17,783)	–	–	–	–	(20,517)	(100)	(20,517)	(17,883)
Investments in associates	–	(2,946)	–	41,166	–	–	–	–	–	38,220
Capital expenditure*	69,326	75,679	227	148	–	–	3,358	32,842	72,911	108,669

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

The "Others" in other segment information comprises others segments, corporate and unallocated revenue/expenses.

NOTES TO FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

By region

	Mainland China	Hong Kong	Australia and New Zealand	United States of America	Canada	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2016							
Revenue from external parties	**1,863,429**	**130,094**	**973,769**	**275,543**	**25,104**	**68,555**	**3,336,494**
Non-current assets	**558,654**	**6,490**	**175,237**	**–**	**–**	**–**	**740,381**
Year ended 31 December 2015							
Revenue from external parties (restated)	2,763,838	84,736	1,100,920	341,148	44,634	53,740	4,389,016
Non-current assets	676,810	38,639	174,141	7,727	–	–	897,317

The revenue information above is based on the locations of the customers. The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

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31 December 2016

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, interest income from held-to-maturity investments, dividend income from equity investment and the net fair value gains on listed equity investment at fair value through profit or loss.

An analysis of revenue, other income and gains is as follows:

	2016 HK$'000	2015 HK$'000 (Restated)
Revenue		
Retailing of casual wear	**2,886,316**	3,894,339
Export of apparel and other businesses	**345,693**	443,267
Dividend income from listed equity investment at fair value through profit or loss	**561**	–
Interest income from held-to-maturity investments	**102,447**	50,868
Fair value gains on listed equity investment at fair value through profit or loss, net	**1,477**	–
Dividend income from an available-for-sale investment	**–**	542
	3,336,494	4,389,016
Other income		
Bank interest income	**4,790**	14,636
Services fee income	**18,762**	18,757
Other sales income	**1,292**	1,186
Gross rental income	**12,160**	8,526
Commission and management fee income	**4,120**	4,963
Interior decoration and renovation income	**31,769**	36,952
Claims received	**6,067**	8,805
Royalty income	**6,191**	5,086
Dividend income from an available-for-sale investment	**–**	1,543
Others	**41,195**	33,293
	126,346	133,747

NOTES TO FINANCIAL STATEMENTS

31 December 2016

5. REVENUE, OTHER INCOME AND GAINS *(CONTINUED)*

	2016 **HK$'000**	2015 HK$'000 (Restated)
Gains		
Net gain on disposal of items of property, plant and equipment	**46,381**	–
Fair value gains on investment properties (note 14)	**20,470**	599
Gain on disposal of an available-for-sale investment	**–**	20,006
	66,851	20,605
	193,197	154,352

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 **HK$'000**	2015 HK$'000
Interest on bank loans	**10,711**	4,948
Interest on other loan	**923**	1,964
	11,634	6,912

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2016 HK$'000	2015 HK$'000
Employee benefit expenses (including directors' remuneration (note 8)):			
Wages and salaries		**695,561**	853,278
Equity-settled share option expense	33	**(47)**	68
Pension scheme contributions		**42,461**	54,636
Termination benefits		**13,671**	13,446
Total employee benefit expenses		**751,646**	921,428
Cost of inventories sold		**1,877,994**	2,526,379
Depreciation	13	**91,913**	111,558
Amortisation of prepaid land lease payments	15	**161**	171
Minimum lease payments under operating leases		**430,671**	561,778
Auditors' remuneration		**5,880**	5,555
Foreign exchange differences, net#		**17,112**	24,620
Impairment of items of property, plant and equipment#	13	**6,346**	3,176
Provision/(write-back of provision) for inventories, net*		**50,634**	(27,973)
Direct operating expense (including repairs and maintenance arising from rental-earning investment properties)		**5,687**	2,128
Impairment/(reversal of impairment) of trade receivables, net#	23	**(2,807)**	2,815
Loss/(gain) on disposal of items of property, plant and equipment#		**(46,381)**	10,334

* Provision for inventories of approximately HK$50,634,000 (2015: reversal of provision of HK$27,973,000) for the year is included in "Cost of sales" on the face of the consolidated statement of profit or loss.

These items are included in "Other income and gains" or "Other expenses" on the face of the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016	2015
	HK$'000	HK$'000
Fees	**570**	570
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**8,347**	9,694
Discretionary bonuses*	**6,075**	8,980
Pension scheme contributions	**301**	382
	14,723	19,056
	15,293	19,626

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the operational performance of the Group.

(a) Independent non-executive directors

The fees paid and payable to independent non-executive directors during the year were as follows:

	2016	2015
	HK$'000	HK$'000
Mr. Lau Hon Chuen, Ambrose, GBS, JP	**180**	180
Dr. Chung Shui Ming, Timpson, GBS, JP	**150**	150
Mr. Wong Man Kong, Peter, BBS, JP	**120**	120
Dr. Lam Lee G.	**120**	120
	570	570

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

8. DIRECTORS' REMUNERATION *(CONTINUED)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2016					
Executive directors:					
Dr. Charles Yeung, GBS, JP	**–**	**106**	**609**	**5**	**720**
Mr. Yeung Chun Fan	**–**	**1,528**	**1,606**	**59**	**3,193**
Mr. Yeung Chun Ho*	**–**	**244**	**–**	**–**	**244**
Mr. Pau Sze Kee, Jackson	**–**	**2,779**	**1,442**	**112**	**4,333**
Mr. Hui Chung Shing, Herman, SBS, MH, JP	**–**	**1,200**	**447**	**60**	**1,707**
Ms. Cheung Wai Yee	**–**	**1,250**	**1,771**	**63**	**3,084**
Mr. Chan Wing Kan, Archie	**–**	**1,200**	**200**	**–**	**1,400**
Ms. Yeung Yin Chi, Jennifer**	**–**	**40**	**–**	**2**	**42**
	–	**8,347**	**6,075**	**301**	**14,723**
2015					
Executive directors:					
Dr. Charles Yeung, SBS, JP	–	106	1,009	5	1,120
Mr. Yeung Chun Fan	–	1,525	2,405	59	3,989
Mr. Yeung Chun Ho	–	1,658	415	83	2,156
Mr. Pau Sze Kee, Jackson	–	2,755	1,828	112	4,695
Mr. Hui Chung Shing, Herman, SBS, MH, JP	–	1,200	447	60	1,707
Ms. Cheung Wai Yee	–	1,250	2,576	63	3,889
Mr. Chan Wing Kan, Archie	–	1,200	300	–	1,500
	–	9,694	8,980	382	19,056

* Mr. Yeung Chun Ho passed away on 14 January 2016.

** Ms. Yeung Yin Chi, Jennifer was appointed as an executive director of the Company on 21 November 2016.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2015: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2015: two) non-director, highest paid employees are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**6,384**	4,636
Discretionary bonuses	**1,536**	3,125
Pension scheme contributions	**223**	192
	8,143	7,953

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–
HK$4,000,001 – HK$4,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**–**	1
	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Under the income tax law of the People's Republic of China (the "PRC"), companies with operations in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% (2015: 25%) on the taxable income.

The tax rates applicable to subsidiaries incorporated and operating in Australia and New Zealand are 30% (2015: 30%) and 28% (2015: 28%), respectively. Provisions for the Australian and New Zealand income taxes have been made on the estimated assessable profits arising in Australia and New Zealand for the year.

	2016 **HK$'000**	2015 HK$'000
Current – Hong Kong		
Charge for the year	**16,828**	14,986
Overprovision in prior years	**(12,264)**	(12,570)
Current – Elsewhere		
Charge for the year	**10,830**	22,297
Overprovision in prior years	**(27,687)**	(59,443)
Deferred (note 31)	**(28,530)**	(2,629)
Total tax credit for the year	**(40,823)**	(37,359)

NOTES TO FINANCIAL STATEMENTS

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10. INCOME TAX *(CONTINUED)*

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

	2016	2015
	HK$'000	HK$'000
Profit before tax	**50,928**	56,376
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**1,791**	9,112
Adjustments in respect of current tax of previous periods	**(39,951)**	(72,013)
Profits and losses attributable to associate	**(982)**	(995)
Income not subject to tax	**(13,261)**	(17,065)
Expenses not deductible for tax	**14,189**	24,221
Tax losses utilised from previous periods	**(42,466)**	(6,489)
Tax losses not recognised	**42,839**	36,030
Others	**(2,982)**	(10,160)
Tax credit	**(40,823)**	(37,359)

The share of tax credit attributable to associates amounting to approximately HK$1,156,000 (2015: HK$7,250,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

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11. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim – HK2.50 cents (2015: HK3.40 cents) per ordinary share	**38,402**	35,045
Proposed final – HK3.20 cents (2015: HK4.30 cents) per ordinary share	**49,155**	44,035
Adjustment on 2015 final dividend	**–**	22,017
	87,557	101,097

The final dividend for the year end 31 December 2016 proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$88,320,000 (2015: HK$88,152,000) and the weighted average number of ordinary shares of 1,404,291,000 (2015: 1,050,405,000, as restated) in issue during the year.

The weighted average number of ordinary shares adopted in the calculations of basic earnings per share for the year ended 31 December 2016 and 2015 have been adjusted to reflect the bonus element of the rights issue during the year ended 31 December 2016.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(CONTINUED)*

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution, as the exercise prices of the share options of the Company outstanding during these two years are higher than the average market prices of the Company's ordinary shares during those respective year and, accordingly, they have no dilutive effect on the basic earnings per share amounts presented.

The calculations of basic earnings per share are based on:

	2016 **HK$'000**	2015 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**88,320**	88,152

	Number of shares **2016** **'000**	 2015 '000 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,404,291**	1,050,405

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13. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2016							
At 31 December 2015 and at 1 January 2016:							
Cost		508,725	296,913	153,117	506,533	29,383	1,494,671
Accumulated depreciation and impairment		(95,622)	(234,278)	(108,992)	(373,821)	(24,354)	(837,067)
Net carrying amount		413,103	62,635	44,125	132,712	5,029	657,604
At 1 January 2016, net of accumulated depreciation and impairment		413,103	62,635	44,125	132,712	5,029	657,604
Additions		–	8,682	10,050	53,030	1,149	72,911
Disposals/write-off		(71,826)	(7,781)	(444)	(2,989)	(253)	(83,293)
Depreciation		(10,933)	(21,898)	(12,261)	(44,855)	(1,966)	(91,913)
Surplus on revaluation		9,016	–	–	–	–	9,016
Impairment		–	(166)	–	(6,180)	–	(6,346)
Transferred to investment properties	14	(47,273)	–	–	–	–	(47,273)
Exchange realignment		(23,240)	(4,355)	(490)	(1,628)	(199)	(29,912)
At 31 December 2016, net of accumulated depreciation and impairment		268,847	37,117	40,980	130,090	3,760	480,794
At 31 December 2016:							
Cost		350,555	199,862	157,496	525,789	25,322	1,259,024
Accumulated depreciation and impairment		(81,708)	(162,745)	(116,516)	(395,699)	(21,562)	(778,230)
Net carrying amount		268,847	37,117	40,980	130,090	3,760	480,794

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13. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Note	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2015							
At 1 January 2015:							
Cost		561,717	401,684	144,781	566,927	33,108	1,708,217
Accumulated depreciation and impairment		(90,172)	(300,419)	(118,989)	(397,732)	(25,835)	(933,147)
Net carrying amount		471,545	101,265	25,792	169,195	7,273	775,070
At 1 January 2015, net of accumulated depreciation and impairment		471,545	101,265	25,792	169,195	7,273	775,070
Additions		–	18,430	28,262	31,583	973	79,248
Disposals/write-off		–	(9,000)	(1,553)	(1,472)	(376)	(12,401)
Depreciation		(13,097)	(40,743)	(6,262)	(48,993)	(2,463)	(111,558)
Surplus on revaluation		25,763	–	–	–	–	25,763
Impairment		–	(3,176)	–	–	–	(3,176)
Transferred to investment properties	14	(54,217)	–	–	–	–	(54,217)
Exchange realignment		(16,891)	(4,141)	(2,114)	(17,601)	(378)	(41,125)
At 31 December 2015, net of accumulated depreciation and impairment		413,103	62,635	44,125	132,712	5,029	657,604
At 31 December 2015:							
Cost		508,725	296,913	153,117	506,533	29,383	1,494,671
Accumulated depreciation and impairment		(95,622)	(234,278)	(108,992)	(373,821)	(24,354)	(837,067)
Net carrying amount		413,103	62,635	44,125	132,712	5,029	657,604

13. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

For the years ended 31 December 2016 and 31 December 2015, the directors considered that certain items of property, plant and equipment of the Group were subject to impairment losses because of the planned closure of certain stores in the foreseeable future, which had suffered from substantial losses in recent years. The directors considered those items of property, plant and equipment have minimal use in future and, accordingly, impairment losses of HK$6,346,000 (2015: HK$3,176,000) were recognised after an impairment assessment carried out by management.

14. INVESTMENT PROPERTIES

	2016	2015
	HK$'000	HK$'000
Carrying amount at 1 January	**161,694**	80,363
Additions during the year	**–**	29,421
Transfer from owner-occupied properties (note 13)	**47,273**	54,217
Net gain from a fair value adjustment (note 5)	**20,470**	599
Exchange realignment	**(9,187)**	(2,906)
Carrying amount at 31 December	**220,250**	161,694

The Group's investment properties consist of thirty two commercial and one industrial properties in Mainland China. The directors of the Company have determined that the investment properties consist of two classes, i.e., commercial and industrial, based on the nature, characteristics and risks of each property. The Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 37 to the financial statements.

The Group's investment properties were revalued at the end of the reporting period by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer. The valuations were based on the capitalisation of rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

In the opinion of the directors, for all investment properties that are measured at fair value, the current use of the properties is their highest and best use.

Further particulars of the Group's investment properties are included on pages 175 to 176.

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14. INVESTMENT PROPERTIES *(CONTINUED)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties.

As at 31 December 2016

	Fair value measurement using			
	Quoted price in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**195,557**	**195,557**
Industrial property	**–**	**–**	**24,693**	**24,693**
	–	**–**	**220,250**	**220,250**

As at 31 December 2015

	Fair value measurement using			
	Quoted price in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	161,694	161,694

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

14. INVESTMENT PROPERTIES *(CONTINUED)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000	Industrial property HK$'000
Carrying amount at 1 January 2015	80,363	–
Additions (from acquisition)	29,421	–
Transfer from owner-occupied properties	54,217	–
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	599	–
Exchange realignment	(2,906)	–
Carrying amount at 31 December 2015 and 1 January 2016	**161,694**	**–**
Transfer from owner-occupied properties	**23,546**	**23,727**
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	**19,504**	**966**
Exchange realignment	**(9,187)**	**–**
Carrying amount at 31 December 2016	**195,557**	**24,693**

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14. INVESTMENT PROPERTIES *(CONTINUED)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and key inputs of valuation on investment properties:

	Valuation techniques	Significant unobservable inputs	Range 2016	Range 2015
Commercial properties	Income capitalisation method	Estimated monthly rental value per square metre	**RMB59 to RMB764**	RMB54 to RMB740
		Capitalisation rate	**5.0% to 5.5%**	5.5% to 6.0%
Industrial property	Income capitalisation method	Estimated monthly rental value per square metre	**RMB14.9**	N/A
		Capitalisation rate	**8.0%**	

Significant increase/(decrease) in estimated monthly rental value per square metre in isolation would result in significantly higher/(lower) fair value of the investment properties. Significant increase/(decrease) in the capitalisation rate in isolation would result in a significantly lower/(higher) fair value of the investment properties.

15. PREPAID LAND LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**5,477**	5,860
Recognised during the year	**(161)**	(171)
Exchange realignment	**(310)**	(212)
Carrying amount at 31 December	**5,006**	5,477
Current portion included in prepayments, deposits and other receivables	**(161)**	(170)
Non-current portion	**4,845**	5,307

16. GOODWILL

	2016 HK$'000	2015 HK$'000
At 1 January:		
Cost	**40,004**	45,288
Accumulated impairment	**(5,512)**	(6,240)
Net carrying amount	**34,492**	39,048
Cost at 1 January, net of accumulated impairment	**34,492**	39,048
Exchange realignment	**–**	(4,556)
Net carrying amount at 31 December	**34,492**	34,492
At 31 December:		
Cost	**40,004**	40,004
Accumulated impairment	**(5,512)**	(5,512)
Net carrying amount	**34,492**	34,492

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the retail operations cash-generating unit of the New Zealand's operations, which is a reportable segment, for impairment testing.

In 2016, the recoverable amount of the New Zealand's retail operations cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 13.0% (2015: 13.0%) and cash flows beyond the five-year period were extrapolated using a growth rate of 2.0% (2015: 3.0%). Senior management believes that this growth rate is justified, based on the Group's past experience in the retail operations in New Zealand.

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16. GOODWILL *(CONTINUED)*

Impairment testing of goodwill *(continued)*

Assumptions were used in the value in use calculation of the retail operations cash-generating unit for 31 December 2016 and 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the retail operations in New Zealand.

The values assigned to the key assumptions on budgeted gross margins and discount rates are consistent with external information sources.

17. INVESTMENTS IN ASSOCIATES

	Notes	**2016** **HK$'000**	2015 HK$'000
Share of net assets	(d)	**–**	38,220
Loans to an associate	(b)	**56,375**	56,375
		56,375	94,595
Provision for impairment of loans to associates		**(56,375)**	(56,375)
		–	38,220

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17. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

Notes:

(a) Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of incorporation or registration/ business	Percentage of ownership interest attributable to the Group 2016	2015	Principal activity
Quiksilver Glorious Sun JV Limited ("Quiksilver GS")	Ordinary shares of HK$10,000	Hong Kong	**50**	50	Retail of apparel
Rays Industries (BVI) Limited ("Rays")	Ordinary shares of US$2	British Virgin Islands/ Hong Kong	**50**	50	Investment holding

The Group's shareholdings in the associates are held through wholly-owned subsidiaries of the Company.

(b) The loans to an associate are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as part of the Group's investments in an associate.

(c) The Group has discontinued the recognition of its share of losses from certain of its associates because the share of losses of these associates exceeded the Group's interest therein and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses for the current year and cumulatively were HK$33,784,000 (2015: HK$19,180,000) and HK$76,752,000 (2015: HK$42,968,000), respectively.

(d) Quiksilver GS is considered a material associate of the Group and is accounted for using equity method. Quiksilver GS and its subsidiaries (collectively the "Quiksilver GS Group") are engaged in the retail of apparel.

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17. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

Notes: (continued)

(d) *(continued)*

Rays was considered a material associate of the Group in the prior year and is accounted for using the equity method. Rays and its subsidiaries (collectively the Rays Group) were engaged in the manufacture of apparel in prior years. During the year, the Rays Group had commenced a voluntary liquidation process and became dormant. The directors of the Company considered that the Rays Group was no longer a material associate of the Group and did not disclose its financial information for the current year accordingly.

The following tables illustrate the summarised financial information of the Quiksilver GS Group and the Rays Group adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016 **HK$'000**	2015 HK$'000
Quiksilver GS Group		
Non-current assets	**9,150**	21,917
Current assets	**127,483**	160,054
Current liabilities	**(243,973)**	(250,964)
Net liabilities	**(107,340)**	(68,993)
Reconciliation to the Group's interest in the Quiksilver GS Group:		
Proportion of the Group's ownership	**50%**	50%
The Group's share of net liabilities of the Quiksilver GS Group	**(53,670)**	(34,497)
The Group's unrecognised share of losses of the Quiksilver GS Group	**53,670**	34,497
Carrying amount of the investment in the Quiksilver GS Group	**–**	–
Revenue	**156,514**	188,364
Loss for the year	**(36,922)**	(37,196)
Other comprehensive loss	**(1,425)**	–
Total comprehensive loss for the year	**(38,347)**	(37,196)

17. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

Notes: (continued)

(d) *(continued)*

	2015 HK$'000
Rays Group	
Current assets	107,497
Current liabilities	(25,165)
Net assets attributable to Rays' shareholders	82,332
Reconciliation to the Group's interest in the Rays Group:	
Proportion of the Group's ownership	50%
The Group's share of net assets of the Rays Group	41,166
Carrying amount of the investment in the Rays Group	41,166
Revenue	2,140
Profit and total comprehensive income for the year attributable to Rays' shareholders	12,066

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2016 HK$'000	2015 HK$'000
Share of the associates' profit for the year	**–**	–
Share of the associates' other comprehensive income	**–**	1
Share of the associates' total comprehensive income	**–**	1
Aggregate carrying amount of the Group's investments in the associates	**–**	(2,946)

NOTES TO FINANCIAL STATEMENTS

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18. HELD-TO-MATURITY INVESTMENTS

	2016 HK$'000	2015 HK$'000
Listed debt investments, at amortised cost	**1,296,428**	660,482
Less: current portion	**(203,181)**	–
Non-current portion	**1,093,247**	660,482

In 2016, the effective interest rates of the held-to-maturity investments ranged from 7.32% to 11.36% (2015: 8.13% to 9.63%) per annum and these investments will mature in years from 2018 to 2022.

In December 2016, the Group was notified that two of the debt investments with aggregate carrying amount of HK$203 million would be redeemed in January 2017. Accordingly, these debt investments were re-classified to current asset as at 31 December 2016. On 10 January 2017, the above debt investments were redeemed at an amount of HK$212 million.

19. AVAILABLE-FOR-SALE INVESTMENT

	2016 HK$'000	2015 HK$'000
Unlisted equity investment, at cost less impairment	**11,364**	12,048

The above investment is an equity investment which was designated as available-for-sale financial asset and has no fixed maturity date or coupon rate.

As at 31 December 2016, the unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates is significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of this investment in the near future.

20. LISTED EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	HK$'000
Listed equity investment, at market value	**9,243**	–

The market value of the Group's listed equity investment at fair value through profit or loss at the date of approval of these financial statements was approximately HK$9,317,000.

21. INVENTORIES

	2016	2015
	HK$'000	HK$'000
Raw materials	**12,190**	9,272
Work in progress	**6,960**	63,341
Finished goods	**457,207**	518,616
	476,357	591,229

22. INTERIOR DECORATION AND RENOVATION CONTRACTS

	2016	2015
	HK$'000	HK$'000
Gross amounts due from contract customers	**23,461**	–
Gross amounts due to contract customers	**(24,535)**	–
	(1,074)	–
Contract costs incurred plus recognised profits less recognised losses to date	**136,483**	–
Less: Progress billings	**(137,557)**	–
	(1,074)	–

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23. TRADE AND BILLS RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Trade receivables	**335,147**	347,052
Bills receivable	**–**	366
	335,147	347,418
Impairment	**(5,402)**	(8,368)
	329,745	339,050

The credit period is generally 45 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the payment due date and net of impairment, is as follows:

	2016	2015
	HK$'000	HK$'000
Current	**261,074**	269,500
Less than 4 months	**37,087**	38,848
4 to 6 months	**17,549**	4,706
Over 6 months	**14,035**	25,996
	329,745	339,050

23. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

The movements in provision for impairment of trade receivables are as follows:

	2016	2015
	HK$'000	HK$'000
At 1 January	**8,368**	5,658
Impairment losses recognised/(reversed) (note 7)	**(2,807)**	2,815
Exchange realignment	**(159)**	(105)
At 31 December	**5,402**	8,368

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$5,402,000 (2015: HK$8,368,000) with a carrying amount before provision of HK$5,402,000 (2015: HK$8,368,000).

The individually impaired trade receivables related to customers that were in financial difficulties or were in default in principal payments and full provision was made in respect of these outstanding balances.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	HK$'000	HK$'000
Neither past due nor impaired	**261,074**	269,500
Less than 6 months past due	**54,636**	43,188
Over 6 months past due	**14,035**	25,996
	329,745	338,684

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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23. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

Receivables that were past due but not impaired relate to a number of independent customers that have good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Prepayments	**105,713**	145,869
Deposits and other receivables	**167,465**	186,905
Total prepayments, deposits and other receivables	**273,178**	332,774
Portion classified as non-current portion	**(14,511)**	(11,894)
Current portion	**258,667**	320,880

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. DUE FROM OTHER RELATED COMPANIES

Particulars of the amounts due from other related companies, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	**Balance at 31 December 2016 HK$'000**	Maximum amount outstanding during the year HK$'000	Balance at 31 December 2015 and 1 January 2016 HK$'000	Maximum amount outstanding during the prior year HK$'000	Balance at 1 January 2015 HK$'000
G.S. Property Management Limited	**399**	732	408	758	341
Golden Sunshine Enterprises Limited	**1**	11	2	25	25
Harbour Guide Limited	**146**	146	42	42	–
Gloryear Management Limited	**7,456**	12,697	717	1,344	727
Rank Profit Industries Limited	**948**	1,005	269	976	257
Huizhou Xin An Garment Mfy. Company Limited (惠州新安製衣廠有限公司)#	**–**	–	92	92	95
Gennon Enterprises Limited	**2**	5	4	4	–
Gennon International Trading (H.K.) Limited	**–**	1	1	1	1
The Glorious Sun Holdings Limited	**6,913**	7,531	–	–	–
Glory Star Investments Limited	**13,929**	14,024	–	–	–
	29,794		1,535		1,446

All of the above related companies are controlled by Dr. Charles Yeung and/or Mr. Yeung Chun Fan, both of them are directors of the Company.

The official name of this entity is in Chinese. The English translation of the name is for identification purpose only.

The amounts are unsecured, interest-free and have no fixed terms of repayment.

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26. OTHER INVESTMENT

The Group's other investment represented an investment in a principal guaranteed deposit placed with a bank in Mainland China. In accordance with the agreement, this principal guaranteed deposit was fully guaranteed by the bank while return was not guaranteed and the maximum expected rates of return ranged from 1.25% to 2.25% per annum. The principal guaranteed deposit was stated at cost less any impairment loss. The deposit was fully redeemed upon maturity in January 2016.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016	2015
	HK$'000	HK$'000
Cash and bank balances	**732,645**	613,038
Time deposits	**121,666**	150,794
	854,311	763,832
Less: Time deposit pledged for bank loans	**–**	(30,396)
Cash and cash equivalents	**854,311**	733,436

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$367,924,000 (2015: HK$448,972,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28. TRADE AND BILLS PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	**525,132**	595,808
Bills payable	**396**	–
	525,528	595,808

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	2016 HK$'000	2015 HK$'000
Less than 4 months	**523,212**	594,287
4 to 6 months	**528**	1,261
Over 6 months	**1,788**	260
	525,528	595,808

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

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29. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Other payables	**121,896**	118,335
Accruals	**397,239**	493,131
	519,135	611,466

Other payables are non-interest-bearing and have average credit term of three months.

As at 31 December 2016, included in the other payables are amounts due to other related companies of approximately HK$625,000 (2015: HK$795,000) and dividend payable to the non-controlling shareholders of approximately HK$1,989,000 (2015: HK$4,216,000) which are unsecured, interest-free and have no fixed terms of repayment.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Other loan – unsecured	**6.84**	**2017**	**6,723**	6.84	2016	7,778
Bank loans – unsecured	**1.51 – 5.00**	**On demand or 2017**	**419,116**	1.22 – 5.58	On demand or 2016	214,941
			425,839			222,719
Non-current						
Other loan – unsecured	**–**	**–**	**–**	6.84	2017	5,961
			425,839			228,680

30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(CONTINUED)*

	2016	2015
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**419,116**	214,941
Other borrowing repayable:		
Within one year or on demand	**6,723**	7,778
In the second year	**–**	5,961
	6,723	13,739
	425,839	228,680

Notes:

(a) Certain of the Group's bank loans are secured by corporate and personal guarantees provided by the non-controlling shareholders of a subsidiary up to approximately HK$12,409,000 as at 31 December 2016 (2015: HK$13,156,000).

(b) Except for certain bank and other borrowings with aggregate amounts of approximately HK$27,273,000, HK$63,223,000 and HK$299,538,000 as at 31 December 2016 which were denominated in RMB, Australian dollars ("AUD") and USD, respectively, all of the Group's bank and other borrowings were denominated in HK$.

NOTES TO FINANCIAL STATEMENTS

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31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Fair value gain on listed equity investment at fair value through profit or loss		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**33,311**	28,396	**10,573**	3,181	**–**	–	**43,884**	31,577
Reclassification	**–**	7,355	**–**	–	**–**	–	**–**	7,355
Deferred tax charged/(credited) to the statement of profit or loss during the year	**(10,799)**	(1,419)	**6,746**	1,027	**244**	–	**(3,809)**	(392)
Deferred tax charged to other comprehensive income during the year	**–**	–	**2,493**	6,480	**–**	–	**2,493**	6,480
Exchange realignment	**(1,883)**	(1,021)	**(601)**	(115)	**–**	–	**(2,484)**	(1,136)
Gross deferred tax liabilities at 31 December	**20,629**	33,311	**19,211**	10,573	**244**	–	**40,084**	43,884

Deferred tax assets

	Provisions		Losses available for offsetting taxable profits		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**28,945**	33,099	**8,630**	7,580	**37,575**	40,679
Deferred tax credited/(charged) to the statement of profit or loss during the year	**1,240**	(342)	**23,481**	2,579	**24,721**	2,237
Exchange realignment	**–**	(3,812)	**–**	(1,529)	**–**	(5,341)
Gross deferred tax assets at 31 December	**30,185**	28,945	**32,111**	8,630	**62,296**	37,575

31. DEFERRED TAX *(CONTINUED)*

The Group has tax losses arising in Hong Kong of approximately HK$68,668,000 (2015: HK$69,413,000), subject to agreement by the Hong Kong Inland Revenue Department (the "IRD"), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$239,868,000 at 31 December 2016 (2015: HK$391,305,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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32. SHARE CAPITAL

Shares

	Number of ordinary shares 2016 '000	2015 '000	2016 HK$'000	2015 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**6,000,000**	6,000,000	**600,000**	600,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**1,536,084**	1,024,056	**153,609**	102,406

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue of HK$0.1 each '000	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2015	1,049,356	104,936	368,604	473,540
Cancellation of shares repurchased (note 34(v))	(25,300)	(2,530)	(36,490)	(39,020)
At 31 December 2015 and 1 January 2016	**1,024,056**	**102,406**	**332,114**	**434,520**
Rights issue (note a)	**512,028**	**51,203**	**409,622**	**460,825**
Rights issue expenses	**–**	**–**	**(2,096)**	**(2,096)**
At 31 December 2016	**1,536,084**	**153,609**	**739,640**	**893,249**

32. SHARE CAPITAL *(CONTINUED)*

Shares *(continued)*

Note:

(a) On 29 March 2016, the Company announced a rights issue on the basis of one rights share for every two existing shares held by shareholders of the Company at a subscription price of HK$0.90 per rights share. The rights issue was subsequently completed on 17 May 2016 and 512,028,000 shares were issued. After deducting the expenses in connection with the rights issue, the net proceeds from issuance were HK$458,729,000. Details of the rights issue were disclosed in the Company's announcements dated 29 March 2016 and 16 May 2016 and prospectus dated 15 April 2016.

33. SHARE OPTION SCHEME

On 2 June 2015, the shareholders of the Company approved the termination (to the effect that the Company can no longer grant any further options) of the share option scheme adopted by the Company on 1 September 2005 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"). All share options granted and outstanding prior to the termination of the Old Scheme will remain in full force and effect.

The purpose of the Old Scheme and the New Scheme (collectively the "Schemes") is to attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to employees, officers and directors of the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders.

(a) Old Scheme

Pursuant to the Old Scheme, the maximum number of shares in respect of which options may be granted must not in aggregate exceed 10% of the shares in issue at the date of approval of the Old Scheme. The maximum number of shares issuable under share options to each eligible participant in the Old Scheme in any 12-month period is limited to 1% of the ordinary shares of the Company in issue.

NOTES TO FINANCIAL STATEMENTS

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33. SHARE OPTION SCHEME *(CONTINUED)*

(a) Old Scheme *(continued)*

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted was determinable by the directors, and commenced after a certain vesting period and ended on a date which is not later than 10 years from the date of the offer of the share options.

The subscription price of the share options is determinable by the board of directors, but shall not be less than whichever is the highest of (i) the closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing prices of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share of the Company.

The following share options were outstanding under the Old Scheme during the year:

	2016		2015	
	Weighted average subscription price HK$ per share	**Number of options '000**	Weighted average subscription price HK$ per share	Number of options '000
At 1 January	**1.9730**	**43,270**	1.9400	57,000
Lapsed during the year	**2.0156**	**(30,898)**	1.8360	(13,730)
Adjusted upon rights issue	**–**	**380**	–	–
Cancelled during the year	**1.8099**	**(338)**	–	–
At 31 December	**1.8099**	**12,414**	1.9730	43,270

There were no share options granted or exercised under the Old Scheme during the years ended 31 December 2016 and 2015.

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33. SHARE OPTION SCHEME *(CONTINUED)*

(a) Old Scheme *(continued)*

Particulars of the share options outstanding as at the end of the reporting period are as follows:

Category of participant	Number of shares subject to options						Share options			
	At 1 January 2016 '000	During the year Granted '000	Exercised '000	Lapsed or cancelled '000	Adjusted* '000	At 31 December 2016 '000	Date of grant	Fully vested by	Exercise period	Subscription price* HK$ per share
Employees in aggregate	2,000	–	–	(2,029)	29	–	23/9/2008	23/9/2010	1/10/2010 to 22/9/2018	3.2630
	2,000	–	–	(2,029)	29	–	8/10/2010	8/10/2014	8/10/2014 to 7/10/2020	3.2729
	933	–	–	(600)	5	338	20/2/2014***	1/4/2015	1/4/2017 to 19/2/2024	1.8099
	13,663	–	–	(13,663)	–	–	20/2/2014***	1/4/2016	1/4/2018 to 19/2/2024	–
	13,674	–	–	(6,948)	176	6,902	20/2/2014***	1/4/2017	1/4/2019 to 19/2/2024	1.8099
	6,500	–	–	(3,237)	85	3,348	20/2/2014***	1/4/2018**	1/4/2020 to 19/2/2024	1.8099
	4,500	–	–	(2,730)	56	1,826	20/2/2014***	1/4/2019**	1/4/2021 to 19/2/2024	1.8099
	43,270	–	–	(31,236)	380	12,414				

* (i) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(ii) The numbers and subscription prices of the share options were adjusted immediately upon completion of the rights issue, as detailed in the Company's announcement dated 16 May 2016.

** The performance targets of the share options have not yet been set as at 31 December 2016 and are subject to the discretion of the Group.

*** The vesting of the share options is subject to the achievement of the prescribed performance targets to be met by the grantees.

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33. SHARE OPTION SCHEME *(CONTINUED)*

(b) New Scheme

The New Scheme was adopted by the Company on 2 June 2015, unless otherwise terminated or amended, the New Scheme will remain in force for 10 years from the date of adoption.

Pursuant to the New Scheme, the maximum number of shares in respect of which options may be granted must not in aggregate exceed 10% of the shares in issue at the date of approval of the New Scheme. The maximum number of shares issuable under share options to each eligible participant in the New Scheme in any 12-month period is limited to 1% of the ordinary shares of the Company in issue.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted was determinable by the directors, and commenced after a certain vesting period and ended on a date which is not later than 10 years from the date of the offer of the share options.

The subscription price of the share options is determinable by the board of directors, but shall not be less than whichever is the highest of (i) the closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing prices of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share of the Company.

No share options were granted under the New Scheme during the years ended 31 December 2016 and 2015. 103,871,400 shares are issuable under the New Scheme representing approximately 6.76% of the total number of issued shares of the Company at the reporting date.

The Group recognised a reversal of share option expense of approximately HK$47,000 during the year ended 31 December 2016. During the year ended 31 December 2015, the Group recognised a share option expense of HK$68,000.

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33. SHARE OPTION SCHEME *(CONTINUED)*

At the end of the reporting period, the Company had 12,413,215 (2015: 43,270,000) share options outstanding under the Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 12,413,215 (2015: 43,270,000) additional ordinary shares of the Company, and additional share capital of HK$1,241,322 (2015: HK$4,327,000) and share premium of HK$21,225,356 (2015: HK$81,032,720) (before issue expenses).

At the date of approval of these financial statements, the Company had 12,413,215 share options outstanding under the Schemes, which represented approximately 0.81% of the Company's shares in issue as at that date.

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34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Contributed surplus

The Group's contributed surplus represents the excess of the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1996.

(ii) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(iii) Asset revaluation reserve

The asset revaluation arose from changes in use from owner-occupied properties to investment properties carried at fair value.

(iv) Other reserves

Other reserves comprise:

(1) pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries in Mainland China has been transferred to other reserves, which are restricted as to use; and

(2) the difference between the amounts of consideration and the carrying amounts of non-controlling interests acquired.

34. RESERVES *(CONTINUED)*

(v) Treasury shares

The Company did not repurchase any of its own ordinary shares on the Stock Exchange during the year ended 31 December 2016.

During the year ended 31 December 2015, the Company repurchased and cancelled 23,436,000 of its own ordinary shares on the Stock Exchange for an aggregate amount of approximately HK$35,928,000. In addition, during the same year ended 31 December 2015, the Company cancelled 1,864,000 ordinary shares that were repurchased at the consideration of approximately HK$3,092,000 in 2014. Upon cancellation of the 25,300,000 ordinary shares previously repurchased, the issued capital of the Company was reduced by the par value of HK$2,530,000 and the premium paid of HK$36,490,000 was deducted from share premium of the Company.

35. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

Shijiazhuang Changhong

	2016	2015
Percentage of equity interest held by non-controlling interests	**35.0%**	35.0%

	2016 **HK$'000**	2015 HK$'000
Profit for the year allocated to non-controlling interests	**3,728**	6,099
Dividends payable/paid to non-controlling interests	**1,989**	6,747
Accumulated balances of non-controlling interests at the reporting dates	**15,055**	19,847

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35. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS *(CONTINUED)*

Shijiazhuang Changhong *(continued)*

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2016 **HK$'000**	2015 HK$'000
Revenue	**356,574**	342,973
Total expenses	**(346,800)**	(328,075)
Profit for the year	**10,475**	17,253
Total comprehensive income for the year	**7,280**	15,069
Current assets	**313,913**	200,381
Non-current assets	**23,423**	28,198
Current liabilities	**(259,370)**	(173,081)
Net cash flows from operating activities	**36,629**	16,047
Net cash flows used in investing activities	**(1,059)**	(551)
Net cash flows used in financing activities	**(2,053)**	(22,004)
Net increase/(decrease) in cash and cash equivalents	**33,517**	(6,508)

36. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2016	2015
Bank guarantees provided for facilities granted to an associate	–	30,000
Extent of the guaranteed facilities utilised by an associate	–	24,322

(b) One of the Company's wholly-owned subsidiaries (the "Subsidiary") was under investigation by the IRD regarding previous years' tax computations. The Subsidiary was requested by the IRD to pay additional taxes, and was found by the District Court to be liable to pay a judgement debt of approximately HK$7,250,000 (2015: HK$7,250,000), which included the above additional taxes under dispute. The additional assessments are under vigorous objection by the Subsidiary and the investigation is not yet finalised at the date on which these financial statements were approved.

Management of the Subsidiary believes that previous years' tax computations were prepared on a proper basis and the Subsidiary has reasonable grounds to defend against the additional assessments. Should the IRD's final assessments be held against the Subsidiary and should the Subsidiary be required to pay additional taxes, the directors of the Company, based on the presently available information, believe that the amount of additional taxes to be borne by the Group would not have any material adverse impact on the financial position of the Group. In the opinion of the directors of the Company, the Group has made appropriate tax provision in the consolidated financial statements.

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37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) and some other properties under operating lease arrangements, with leases negotiated for terms ranging from two to five years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**10,889**	11,633
In the second to fifth years, inclusive	**22,694**	31,352
After five years	**5,827**	12,352
	39,410	55,337

(b) As lessee

The Group leases certain of its retail stores and office properties under operating lease arrangements, with leases negotiated for terms ranging from three to fifteen years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**239,597**	372,889
In the second to fifth years, inclusive	**338,496**	652,374
After five years	**14,177**	17,095
	592,270	1,042,358

38. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following capital commitments at the end of the reporting period:

	2016	2015
	HK$'000	HK$'000
Contracted, but not provided for:		
Leasehold improvements	**379**	1,205

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2016	2015
	Notes	**HK$'000**	HK$'000
Purchases of goods from an associate	(i)	**4,626**	11,286
Purchases of goods from companies controlled by certain directors of the Company	(ii)	**–**	8,519
Rental expenses paid to companies controlled by certain directors of the Company	(iii)	**19,888**	21,680
Rental expenses paid to sons of a director of the Company	(iii)	**8,073**	2,479
Management fees paid to companies controlled by certain directors of the Company	(iv)	**1,903**	2,089

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39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) *(continued)*

Notes:

(i) The purchases of goods from an associate were made according to the published prices and conditions offered by the associate to their major customers.

(ii) The purchases of goods were made according to the prices mutually agreed by the parties on the individual orders placed and were either at market rates or at rates no less favourable to the Group than such rates offered to any other independent third party.

(iii) The rental expenses were charged according to the rental agreements which were based on the prevailing open market rentals.

(iv) The management fees were charged according to the management services agreements signed between the parties and by reference to the cost of services provided.

(b) Other transactions with related parties:

Disposal of properties

On 1 September 2016, the Group entered into disposal agreements to dispose of two properties located at Hunan Province and Jiangsu Province to 惠州旭興置業有限公司 (Huizhou Yuxing Property Company Limited, "Huizhou Yuxing"), which the ultimate beneficial owners were Dr. Charles Yeung and Mr. Yeung Chun Fan, at a total consideration of HK$135 million (the "Disposals"). The considerations were determined after arm's length negotiations between the Group and Huishou Yuxing with reference to the property valuations conducted by an independent property valuer.

All the cash proceeds for the Disposals were received by the Group and the Group recognised a gain on disposal of properties in profit or loss amounting to HK$53.3 million upon the completion of the Disposals in November 2016.

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39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Other transactions with related parties: *(continued)*

Loan assignment

On 22 November 2016, the Group entered into a sales and purchase agreement with Star Profit Industries Limited ("Star Profit"), a company wholly-owned by Dr. Charles Yeung and Mr. Yeung Chun Fan. Pursuant to the sale and purchase agreement, the Group agreed to sell the benefit of the sale loan in an amount of approximately HK$56,553,000 ("Sale Loan") to Star Profit, and Star Profit agreed to take up such assignment of the benefit of the Sale Loan, for a cash consideration of approximately HK$56,553,000.

No gain or loss was recorded by the Group on the sale of the Sale Loan.

(c) Commitments with related parties:

Subsidiaries of the Group entered into several non-cancellable operating lease arrangements as lessees with companies controlled by certain directors of the Company or family members of a director of the Company with lease terms ranging from two to three years. The total amount of rental expenses for the year is included in note 39(a)(iii) to the financial statements. The Group expects the total rental expenses to related parties under these non-cancellable operating lease arrangements in 2017 and 2018 to be approximately HK$18,128,000 and HK$13,480,000, respectively.

(d) Outstanding balances with related parties:

(i) The Group had outstanding receivables from and payables to other related companies of approximately HK$29,794,000 (2015: HK$1,535,000) and approximately HK$625,000 (2015: HK$795,000), respectively, as at the end of the reporting period. The balances with other related companies are unsecured, interest-free and have no fixed terms of repayment.

(ii) Details of the Group's loans to an associate as at the end of the reporting period are included in note 17(b) to the financial statements. The other balances with associates are unsecured, interest-free and have no fixed terms of repayment.

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39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(e) Compensation of key management personnel of the Group:

	2016 HK$'000	2015 HK$'000
Short term employee benefits	**27,197**	31,669
Post-employment benefits	**684**	756
Total compensation paid to key management personnel	**27,881**	32,425

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(ii), (a)(iii), (a)(iv) and (b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2016

Financial assets

	Financial assets at fair value through profit or loss held-for-trading HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
Held-to-maturity investments	–	1,296,428	–	–	1,296,428
Available-for-sale investment	–	–	–	11,364	11,364
Trade and bills receivables	–	–	329,745	–	329,745
Financial assets included in prepayments, deposits and other receivables	–	–	152,954	–	152,954
Due from an associate	–	–	920	–	920
Due from other related companies	–	–	29,794	–	29,794
Listed equity investment at fair value through profit and loss	9,243	–	–	–	9,243
Cash and cash equivalents	–	–	854,311	–	854,311
	9,243	1,296,428	1,367,724	11,364	2,684,759

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	525,528
Financial liabilities included in other payables and accruals	284,686
Due to an associate	30
Interest-bearing bank and other borrowings	425,839
	1,236,083

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40. FINANCIAL INSTRUMENTS BY CATEGORY

2015

Financial assets

	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Held-to-maturity investments	660,482	–	–	660,482
Available-for-sale investment	–	–	12,048	12,048
Trade and bills receivables	–	339,050	–	339,050
Financial assets included in prepayments, deposits and other receivables	–	186,905	–	186,905
Due from an associate	–	55,823	–	55,823
Due from other related companies	–	1,535	–	1,535
Other investment	–	4,819	–	4,819
Pledged deposits	–	30,396	–	30,396
Cash and cash equivalents	–	733,436	–	733,436
	660,482	1,351,964	12,048	2,024,494

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	595,808
Financial liabilities included in other payables and accruals	285,024
Due to an associate	86
Interest-bearing bank and other borrowings	228,680
	1,109,598

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Held-to-maturity investments	**1,296,428**	660,482	**1,360,097**	696,268

Management has assessed that the fair values of cash and cash equivalents, other investment, pledged deposits, trade and bills receivables, trade and bills payables, the current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from other related companies, amounts due from/to an associate and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of rental deposits and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant. The fair values of the non-current portion of rental deposits and interest-bearing bank and other borrowings approximate to their carrying amounts as at 31 December 2016 and 2015.

The fair values of listed equity investment at fair value through profit or loss and held-to-maturity investments are based on quoted market prices.

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Listed equity investment at fair value through profit or loss	9,243	–	–	9,243

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2016. The Group did not have any financial assets and liabilities measured at fair value as at 31 December 2015.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy *(continued)*

Assets for which fair values are disclosed:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Held-to-maturity investments	**1,360,097**	**–**	**–**	**1,360,097**

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Held-to-maturity investments	696,268	–	–	696,268

NOTES TO FINANCIAL STATEMENTS

31 December 2016

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise listed equity investment at fair value through profit or loss, held-to-maturity investments, available-for-sale investment, bank and other borrowings, other investment, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and interest-bearing bank borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

For floating-rate borrowings, assuming the amount of liability outstanding as at the end of the reporting period was outstanding for the whole year, a 50-basis point increase/decrease in interest rates at 31 December 2016 and 2015 would have decreased/increased the Group's profit before tax by HK$2,096,000 and HK$984,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

Cash at banks earns interest at floating rates based on daily bank deposit rates. A 50-basis point increase/decrease in interest rates at 31 December 2016 and 2015 would have increased/decreased the Group's profit before tax by HK$3,657,000 and HK$3,057,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the units' functional currencies, mostly in United States dollars. The Group uses derivative financial instruments to reduce its foreign currency risk. As the Hong Kong dollar is pegged to the United States dollar, the Group does not anticipate significant movements in the exchange rate. The Group monitors the foreign exchange rate risk on an ongoing basis.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, held-to-maturity investments, amounts due from an associate and other related companies, other investment, and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 23 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk *(continued)*

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other borrowings. The Group's policy is to match the maturity of borrowings with expected cash inflows from the relevant assets acquired to ensure proper funding.

The maturity profile of the Group's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2016			
	On demand or within 1 year HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**525,528**	**–**	**–**	**525,528**
Financial liabilities included in other payables and accruals	**284,686**	**–**	**–**	**284,686**
Due to an associate	**30**	**–**	**–**	**30**
Interest-bearing bank and other borrowings	**427,060**	**–**	**–**	**427,060**
	1,237,304	**–**	**–**	**1,237,304**

	2015			
	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	595,808	–	–	595,808
Financial liabilities included in other payables and accruals	285,024	–	–	285,024
Due to an associate	86	–	–	86
Interest-bearing bank and other borrowings	224,506	6,485	–	230,991
	1,105,424	6,485	–	1,111,909

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from its listed equity investment at fair value through profit or loss (note 20) as at 31 December 2016. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The Hong Kong Hang Seng Index at the close of business of the nearest trading day in the year to the end of the reporting period and its respective highest and lowest points during the year were as follows:

	31 December 2016	High/low 2016	31 December 2015	High/low 2015
Hong Kong – Hang Seng Index	22,000	24,100/ 18,320	21,914	28,133/ 20,841

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on its carrying amount at the end of the reporting period.

	Carrying amount of equity investment HK$'000	Increase/ (decrease) in profit before tax HK$'000
As at 31 December 2016		
Listed equity investment at fair value through profit or loss	9,243	924/(924)

NOTES TO FINANCIAL STATEMENTS

31 December 2016

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, raise and repay debts or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity plus total borrowings. Total borrowings include interest-bearing bank and other borrowings. Total shareholders' equity comprises all components of equity attributable to ordinary equity holders of the Company. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting periods were as follows:

	2016	2015
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**425,839**	228,680
Total shareholders' equity	**2,454,782**	2,039,838
Borrowings and total shareholders' equity	**2,880,621**	2,268,518
Gearing ratio	**14.8%**	10.1%

43. COMPARATIVE AMOUNTS

As further explained in note 4 to the financial statements, due to the changes in the designation of principal activities and segment composition, certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**377,778**	939,776
CURRENT ASSETS		
Amount due from a subsidiary	**1,270,940**	–
Other receivables	**19**	17
Pledged deposits	**–**	30,396
Cash and cash equivalents	**50,187**	26,442
Total current assets	**1,321,146**	56,855
CURRENT LIABILITIES		
Interest bearing bank borrowing	**319,538**	50,000
Other payables	**307**	291
Total current liabilities	**319,845**	50,291
NET CURRENT ASSETS	**1,001,301**	6,564
Net assets	**1,379,079**	946,340
EQUITY		
Issued capital	**153,609**	102,406
Other reserves (note)	**1,225,470**	843,934
Total equity	**1,379,079**	946,340

NOTES TO FINANCIAL STATEMENTS

31 December 2016

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Treasury shares HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2015	368,604	(3,092)	377,567	1,477	175,537	920,093
Total comprehensive income for the year	–	–	–	–	57,343	57,343
Shares repurchased	–	(35,928)	–	–	–	(35,928)
Cancellation of shares repurchased	(36,490)	39,020	–	–	–	2,530
Equity-settled share option arrangements	–	–	–	68	–	68
Final 2014 dividend	–	–	–	–	(65,127)	(65,127)
Interim 2015 dividend	–	–	–	–	(35,045)	(35,045)
At 31 December 2015 and 1 January 2016	**332,114**	**–**	**377,567**	**1,545**	**132,708**	**843,934**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**79,366**	**79,366**
Rights issue	**409,622**	**–**	**–**	**–**	**–**	**409,622**
Rights issue expenses	**(2,096)**	**–**	**–**	**–**	**–**	**(2,096)**
Equity-settled share option arrangements	**–**	**–**	**–**	**(47)**	**–**	**(47)**
Transfer of share option reserve upon the forfeiture of share options	**–**	**–**	**–**	**(1,438)**	**583**	**(855)**
Final 2015 dividend	**–**	**–**	**–**	**–**	**(66,052)**	**(66,052)**
Interim 2016 dividend	**–**	**–**	**–**	**–**	**(38,402)**	**(38,402)**
At 31 December 2016	**739,640**	**–**	**377,567**	**60**	**108,203**	**1,225,470**

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2017.

PARTICULARS OF PROPERTIES

31 December 2016

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Unit A on Level 1 of No.69 Taiyuan North Street, Heping District, Shenyang, Liaoning Province, the People's Republic of China	Commercial	Medium term lease	100%
Units 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308 and 2309 on Level 23, and 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, and 2409 on Level 24 of Ruihe Centre situated at No. 63 Tannan Road, Changan District, Shijiazhuang, Hebei Province, the People's Republic of China	Commercial	Medium term lease	100%
Unit 1 on Level 1 of Ping Street, No. 218 Bayi Road, Yuzhong District, Chongqing, the People's Republic of China	Commercial	Medium term lease	100%
Units 1701-1704 on Level 17, Block 1 of Wuhan City Square (North), No. 160 Qiaokou Road, Qiaokou District, Wuhan, Hubei Province, the People's Republic of China	Commercial	Medium term lease	100%
Units 2601, 2602 and 2603 on Level 26, Block 1, No. 100 Nan Nei Huan Street, Xiaodian District, Taiyuan, Shanxi Province, the People's Republic of China	Commercial	Medium term lease	100%
Units 118, 123, 124 and 125 on Level 1 of Huachuang International Plaza, No. 109 Furong Middle Road Part 1, Kaifu District, Changsha, Hunan Province, the People's Republic of China	Commercial	Medium term lease	100%

PARTICULARS OF PROPERTIES *(CONTINUED)*

31 December 2016

Location	Use	Tenure	Attributable interest of the Group
Unit 608, Youyi Aboluo Building, No.142 3rd section of Furong Zhong Road, Tianxin District, Changsha, Hunan Province, the People's Republic of China	Commercial	Medium term lease	100%
No.30-1, Huahai Road, Shenyang Economic and Technological Development Zone, Shenyang, Liaoning Province, the People's Republic of China	Industrial	Medium term lease	100%

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
CONTINUING OPERATIONS					
REVENUE	**3,336,494**	4,389,016	5,899,459	6,776,622	6,821,041
Operating profit	**44,976**	50,343	139,443	79,540	202,262
Share of profits and losses of associates	**5,952**	6,033	7,460	15,804	9,278
Profit before tax	**50,928**	56,376	146,903	95,344	211,540
Income tax credit/(expense)	**40,823**	37,359	(25,022)	(47,626)	(22,395)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**91,751**	93,735	121,881	47,718	189,145
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	–	–	69,212	(56,511)
Profit for the year	**91,751**	93,735	121,881	116,930	132,634
Attributable to:					
Ordinary equity holders of the Company	**88,320**	88,152	119,405	138,455	160,876
Non-controlling interests	**3,431**	5,583	2,476	(21,525)	(28,242)
	91,751	93,735	121,881	116,930	132,634

FINANCIAL SUMMARY *(CONTINUED)*

A summary of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**4,107,478**	3,696,484	4,836,549	4,284,619	5,243,934
TOTAL LIABILITIES	**(1,642,509)**	(1,647,290)	(2,690,983)	(2,040,411)	(2,709,810)
NON-CONTROLLING INTERESTS	**(10,187)**	(9,356)	(11,336)	(11,748)	(114,379)
	2,454,782	2,039,838	2,134,230	2,232,460	2,419,745


JEANSWEST
SPRING
COLLECTION
Jeans west


EVER
UPWARD
LOVELY
GIRL