GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code：393

ANNUAL REPORT 2017

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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;
to be one of the best casual wear apparel suppliers; and
to be an outstanding financial investor in the region

OUR MISSION

- Focused on our customers, we endeavour to provide quality products and services with added value
- Focused on investing in high quality financial products to secure stable profits

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

AUDITOR

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
Deutsche Bank AG
UBS AG
DBS Bank Ltd., Hong Kong Branch
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 Monday, 4 June 2018 at 2:30 p.m. for the following purposes:

(1) To receive and consider the Financial Statements and the Reports of the Directors and Auditor for the year ended 31 December 2017.

(2) To declare the final dividend for the year ended 31 December 2017.

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

(II) To elect Mr. Pau Sze Kee, Jackson as an executive director of the Company.

(III) To elect Ms. Cheung Wai Yee as an executive director of the Company.

(IV) To elect Mr. Wong Man Kong, Peter as an independent non-executive director of the Company.

(B) To authorise the Board of Directors to fix the Directors' remuneration.

(4) To appoint Auditor and to authorise the Board of Directors to fix the Auditor's 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, 24 April 2018

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 share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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 Wednesday, 30 May 2018 to Monday, 4 June 2018, both days inclusive, during which period no transfer 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 and transfer office 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 Tuesday, 29 May 2018.

4. The register of members of the Company will also be closed from Friday, 8 June 2018 to Monday, 11 June 2018, both days inclusive, during which period no transfer 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 Thursday, 7 June 2018.

5. In relation to agenda item No. (3)(A) in this Notice regarding election of directors, in accordance with bye-law 110(A) of the Company's Bye-laws, Dr. Charles Yeung, GBS, JP, shall not be subject to retirement by rotation. However, in view of good corporate governance practices and in compliance of the Corporate Governance Code as set out 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"), Mr. Charles Yeung will voluntarily retire from his office and offer himself for re-election at the forthcoming annual general meeting of the Company. Mr. Pau Sze Kee, Jackson, Ms. Cheung Wai Yee and Mr. Wong Man Kong, Peter, BBS, JP 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.

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 2017 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 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 Dr. Yeung Chun Kam, GBS, JP, alias Charles Yeung, aged 71, is the Chairman and an executive director of the Company, a brother of Mr. Yeung Chun Fan. Mr. Charles Yeung'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 16 April 2018, being the latest practicable date prior to the printing of this Notice (the "latest practicable date").

    Mr. Charles Yeung was a 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. Charles 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. Charles Yeung in Generra Sportswear Company, Inc. for fraud, negligence or any conduct of dishonesty.

NOTICE OF ANNUAL GENERAL MEETING

8.2 Mr. Pau Sze Kee, Jackson, 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. Pau was a director of Tetra Finance (HK) Limited, a deposit-taking company incorporated in Hong Kong. Due to liquidity problems, the company was ordered to be wound up by the Supreme Court of Hong Kong on 4 March 1983. The amount involved was about HK$1 billion. Mr. Pau has been told that the winding up was completed in 1999.

8.3 Ms. Cheung Wai Yee, aged 66, is an executive director of the Company and the spouse of Mr. Yeung Chun Fan. Ms. Cheung Wai Yee'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.

8.4 Mr. Wong Man Kong, Peter, BBS, JP, aged 69, is an independent non-executive director of the Company. Mr. Wong is also a director of Hong Kong Ferry (Holdings) Co. Ltd., China Travel International Investment Hong Kong Limited, Sun Hung Kai & Co. Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Energy Corporation Limited and MGM China Holdings Limited. In the past three years, Mr. Wong was a director of Chinney Investments, Limited. Mr. Wong does not have any interest in the shares of the Company.

The Board believes that Mr. Wong having extensive business experience particularly in the People's Republic of China and the considerable experience in the 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. Wong 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.

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 under review, although the geopolitical tension in North Korea escalated and the uncertainties arising from President Trump's unpredictability in international relations and world trade policies increased, the situation was generally contained. In Europe, the ultra-rightists lost their important elections and the status quo thus remained intact. Conflicts in South China Sea eased and the confrontation along the Sino Indian frontier finally subsided. Even 2017 was a year of uncertainties, it was the best year for global economic recovery since the global financial crisis in 2008. Economic growth rate in China rebounded to 6.9% and corporate profit regained its momentum. US GDP grew 2.3% in 2017. Europe and Japan also managed to have their GDP increased by 2.3% and 1.7% respectively. Attributed to the global economic improvement and particularly in PRC, a growth of 3.8% in GDP was recorded in Hong Kong.

Following the global economic recovery, employment generally improved and consumers' spending increased. Retailing had not picked up yet but was at least not as sluggish as in the last few years. However, the business environment for apparel retailing in the Mainland China was still very challenging as the impact from the tremendous growth of e-commerce was devastating. In the period, the realignment of Jeanswest retail networks in the Mainland China continued. Same store sales had mild improvement when compared with those in 2016. The acceleration of economic momentum and retail activities in US facilitated the Group to increase its export turnover. In respect of the Group's financial investment operations, the performance met with the expectation of the Management.

CHAIRMAN'S STATEMENT

The Group's consolidated turnover decreased by 4.37% and the net profit attributable to equity holders of the Company increased by 0.40%.

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

	2017	2016 (Restated)	Changes
(Unit: HK$'000)			
Consolidated sales	**2,729,834**	2,854,683	↓ 4.37%
of which:			
A. Total retail sales in the PRC	**1,608,612**	1,931,260	↓ 16.71%
B. Total export sales	**476,554**	336,393	↑ 41.67%
C. Financial investments	**124,767**	104,485	↑ 19.41%
D. Interior decoration and renovation	**460,571**	473,245	↓ 2.68%
Profit attributable to ordinary equity holders of the Company	**88,669**	88,320	↑ 0.40%
(Unit: HK cents)			
Earnings per share (basic)	**5.77**	6.29	↓ 8.27%
Dividend			
—Final	**3.20**	3.20	–
—Total	**5.70**	5.70	–
(Unit: HK$'000)			
Net cash and near cash in hand*	**2,097,874**	1,724,900	↑ 21.62%

* "Net cash and near cash in hand" consists of held-to-maturity investments, listed available-for-sale investment, cash and cash equivalents, 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 (2016: HK3.20 cents) per share for the year ended 31 December 2017 at the forthcoming annual general meeting to be held on Monday, 4 June 2018. The final dividend amounting to HK$49,155,000, if approved by the shareholders of the Company, will be paid on Thursday, 21 June 2018 to those shareholders whose names appear on the register of members of the Company on Monday, 11 June 2018.

REVIEW OF BUSINESSES

Retailing

Attributed to the unfolding of positive effects from the success of "supply side structural reform", the economic growth in the Mainland rebounded from its bottom and also warmed up the retail sentiment there. However, the retail business environment was still tough because the rapid development of e-commerce persistently took over slices after slices of the market share from the physical retail stores especially in the third and fourth tier cities. The market norm of massive mark-down in e-retailing as the means to generating sales also encroached not only their margin but also the business of our franchisees in the market.

CHAIRMAN'S STATEMENT

In the period, the consolidation of the retail networks, the streamlining of the operational flows and the trimming of personnel structure continued. The excess inventory resulted from the closure of stores was gradually brought down. However, the development of franchising did not go well because the performance of franchisees' stores was adversely affected by the expansion of e-retailing. The Management therefore promptly offered flexible terms of cooperation with the franchisees including joint-collaboration with them to share net revenue at a specified ratio so as to stabilise their operations. However, these measurers cut back on the budgeted income set by the Management at the beginning of the year.

During the period under review, the Management set up a "Jeanswest e-commerce Division" as another profit centre. On top of its primary function to help with the sales of off-season inventory of our physical retail stores, it was also given the authority to have its own special collections to sell exclusively in its e-shops. The on-line sales in 2017 already contributed to 23.68% of the turnover of Jeanswest in the Mainland. The operations were profitable though the margin was still narrow.

In 2017, the Management relaunched new stores at prime locations in the first tier cities where the rental had already been reduced to a commercially viable level. During the period, around 50 new stores were added to our networks including one at the Hong Kong International Airport.

As at 31 December 2017, Jeanswest operated 1,298 stores (2016 restated: 1,568) among which 919 stores (2016 restated: 1,121) were operated under franchise arrangements. For the year ended 31 December 2017, turnover of retails decreased by 16.71% to HK$1,608,612,000 (2016 restated: HK$1,931,260,000), accounting for 58.93% of the Group's consolidated sales. Inventory turnover days decreased from 59 (restated) to 52 days.

CHAIRMAN'S STATEMENT

Australia and New Zealand

In view of Jeanswest operations showing losses in two out of the last three years, and the losses also continued in the first half of 2017, with the approval of the shareholders in June 2017, the Management disposed of Jeanswest operations in Australia and New Zealand on 1 July 2017. Therefore, the Group's second half performance ceased to be affected. The corresponding operation has been classified as a discontinued operation as a result of the disposal.

Overseas Franchise Operations

In the year under review, our overseas franchisees in different countries performed differently. The franchisees in the Philippines and Venezuela did not perform as well as in the previous year but those in Mongolia and areas along the one belt one road progressed remarkably. Generally, the overseas franchise operations grew healthily in the year.

Export

In the year under review, our export operations were closely associated with our design service for Costco's private labels. During the period, the retail market in US became more resilient than the previous year. Attributed to the stable orders from "Kirkland Signature", one of Costco's brands, and the increased orders of "Minerals", our own newly developed women line, the export turnover of the Group resumed its growth.

For the year ended 31 December 2017, the Group's sales from exports were HK$476,554,000 (2016: HK$336,393,000), increased by 41.67% when compared with the previous year. The increase was also attributable to sales to Jeanswest operation in Australia and New Zealand in the second half of this year.

CHAIRMAN'S STATEMENT

Financial and Real Estates Investments

During the period under review, the Group invested mainly on high yield corporate bonds. Our bond portfolio at the opening was HK$1.3 billion. An income of around HK$21 million was recognised in 2017 because around HK$564 million face value of bonds were early redeemed. In view of another HK$362 million worth of bonds will mature or be early redeemed in the first half of 2018, the Management increased the bond portfolio to HK$2.1 billion by the end of the year.

In the year, the Management sold two retail properties, one in Chongqing and one in Changchun, at a total consideration of around RMB59 million, making profits before tax of about HK$34 million.

Interior Decoration and Renovation

Years ago, the Group invested in Shijiazhuang Changhong Building Decoration Engineering Company Limited ("Changhong"), an interior decoration and renovation company by holding 65% equity interest for the purpose of providing interior decoration and renovation services to Jeanswest stores in the Mainland China. As it was just an in-house company providing exclusive services to the subsidiaries of the Group, its sales were eliminated in our consolidated financial statements. After all these years, Changhong had already built up its reputation as a "Renowned Services Brand" in Hebei Province with annual turnover in 2017 exceeding HK$400 million out of which 97% came from services rendered to third parties. The Management therefore resolved to include the interior decoration and renovation business as a principal activity of the Group and report the performance of Changhong in full in our consolidated accounts commencing from the year under review.

FINANCIAL POSITION

The Group had ample cash/near cash in hand and its financial position remained very healthy.

HUMAN RESOURCES

As at 31 December 2017, the Group employed about 4,000 employees (2016 (restated): 4,900). The Group offered competitive remuneration packages to them. In addition, bonus and shares options were granted based on the Group's results and individual performance from time to time.

CHAIRMAN'S STATEMENT

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 University Students Sponsorship Fund" and "Jeanswest Hope Teachers Program". Our Glorious Sun Group Volunteers Team also participated actively and provided sponsorship to many charitable functions and activities such as sharing moon cakes with the homes for the aged and those living in the remote poor areas in the Mainland and organising the "Stargaze Camp for All and the Blind".

PROSPECTS

Most economists expect the booming in 2017 will subsist in the ensuing year. The investors in the market are generally optimistic. Barring unpredictable circumstances and the escalation of Sino American trade disputes, the Management is also looking forward to a stable economic development in 2018. However, the business environment of retailing in the Mainland China will still be challenging as the devastating impacts from e-commerce will continue. As the Group has formulated its strategy to tackle the situation, it is believed that the performance in the ensuing year will improve.

After having considered all the domestic and foreign factors and the Group's present position, the Management has summarised its strategies for the current year as "be practical", i.e. to "follow the trend, plan holistically and implement the achievables". The Management emphasises that its operation strategies will be market driven and results oriented. We will continue to build a popular brand to provide value-added products and services to our customers at affordable prices. Based on the win-win principle, we will offer flexible terms to our partner franchisees to expand our franchise operations. We will also open a suitable number of physical retail stores in prime locations where rentals/turnover rents are reasonable.

In the aspect of financial and real estates investments, the Management will maximise the yield of the investment portfolio. We will acquire an asset management company in the first quarter of 2018 for future expansion. Regarding the export operations, the Management will strive to develop more new products and clientele so as to maintain or even to beat the result of the year under review.

Barring unforeseeable circumstances, the Management is confident that the Group will continue to bring reasonable returns to its shareholders in 2018.

CHAIRMAN'S STATEMENT

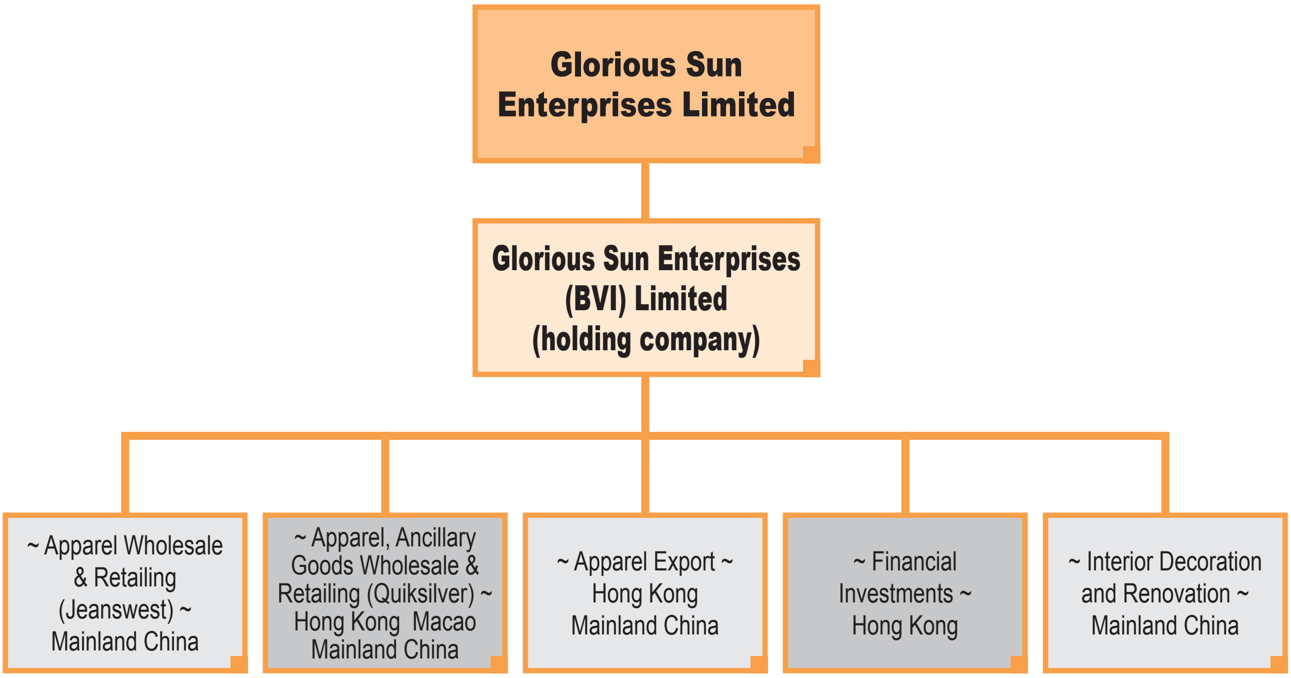
APPRECIATION

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, 22 March 2018

GROUP BUSINESS STRUCTURE



Retail Networks in the PRC

Total no. of shops:		
	Mainland China	1,200
	Hong Kong	18
	Macao	1
	Total	1,219

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2017, the Group's consolidated turnover decreased by 4.37% to HK$2,729,834,000 (2016 (Restated): HK$2,854,683,000). The Group recorded a profit attributable to the shareholders of the Company amounting to HK$88,669,000 (2016: HK$88,320,000), representing an increase of 0.40%.

The Jeanswest operations in Australia and New Zealand were disposed of on 1 July 2017 and profit for the year from the discontinued operation including gain on disposal of the operation was HK$3,786,000 (2016: loss of HK$55,307,000).

In addition, the segment profits of export operations, financial investments, and interior decoration and renovation all showed improvements. However, their positive results were offset by the falling retail operations. Hence, the profit attributable to the shareholders of the Company only increased by 0.40% in 2017.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK3.20 cents (2016: HK3.20 cents). Subject to the approval of the Company's shareholders at the forthcoming annual general meeting, the total dividend amount for 2017 will be HK$87,557,000 (2016: HK$87,557,000) which is marginally below 100% of the profit attributable to the shareholders of the Company. The Management is confident that there are sufficient funds in the business for medium term investments.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's total assets less current liabilities were HK$2,600,798,000 (2016: HK$2,518,212,000) and the current ratio decreased from approximately 1.38 times as at 31 December 2016 to approximately 1.14 times as at 31 December 2017.

As at 31 December 2017, the Group held cash resources and short-term held-to-maturity investments of HK$1,333,008,000 (2016: HK$1,057,492,000). Aggregate borrowings as at 31 December 2017 amounted to HK$991,847,000 (2016: HK$425,839,000). The gearing ratio was approximately 28% (2016: approximately 15%) calculated by reference to the aggregate borrowings and the total shareholders' equity.

As at 31 December 2017, the Group's land and buildings, prepaid land lease payments and investment properties are with total carrying value of HK$470,663,000 (2016: HK$493,942,000). These assets were neither charged nor pledged to any bank borrowings as at 31 December 2017.

The Group's capital commitment as at 31 December 2017 amounted to HK$1,265,000 (2016: HK$379,000) is mainly for leasehold improvements. The Group's contingent liabilities as at 31 December 2017 amounted to HK$7,250,000 (2016: HK$7,250,000) is related to an investigation case by the Inland Revenue Department regarding previous years' tax computations filed by one of the Company's wholly-owned subsidiaries. The subsidiary has already ceased its businesses since 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group strengthens and improves its financial risk control on a continual basis and has consistently adopted a prudent approach in financial management. Financial resources are under close monitor to ensure the Group's efficient and effective operation, as well as flexibility to respond to opportunities and uncertainties. The Management of the Group is of the opinion that the Group's existing financial structure is healthy and related resources are sufficient to cater for the Group's operation needs in the foreseeable future.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2017, the Group had listed investments being classified as held-to-maturity investments and available-for-sale investments.

Held-to-maturity investments are listed debt instruments with maturity, which are classified as non-current portion in the amount of HK$951,514,000 (2016: HK$1,093,247,000) and current portion in the amount of HK$361,877,000 (2016: HK$203,181,000), with total carrying value of HK$1,313,391,000 (2016: HK$1,296,428,000), representing 27.91% of the Group's total assets.

Details of the debt instruments held are as follows:

	As at 31 December 2017		For the year ended 31 December 2017				Net carrying value	
Name of Issuer and Terms of instruments	Nominal Value Held US$ million	Percentage to the Group's total assets	Additions/ (Disposals) HK$'000	Amortisations HK$'000	Income received from early redemption HK$'000	Interest Income HK$'000	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Easy Tactic Limited								
5.750% Senior Notes due 2022	19.200	3.21%	151,330	(167)	–	2,283	151,163	–
5.875% Senior Notes due 2023	38.000	6.26%	294,500	–	–	2,115	294,500	–
Agile Group Holdings Limited								
8.375% Senior Notes due 2019	–	–	(50,301)	33	2,183	2,998	–	50,268
9% Senior Notes due 2020	29.000	4.85%	–	(1,366)	–	18,861	228,000	229,366
5.125% Senior Notes due 2022	19.000	3.13%	147,358	(8)	–	2,885	147,350	–
Shui On Development (Holding) Limited								
8.7% Senior Notes due 2018#	17.156	2.83%	–	–	–	11,567#	132,960	132,960
9.625% Senior Notes due 2019#	29.000	4.86%	(274,995)	(6,062)	7,685	41,252#	228,918	509,975
Shimao Property Holdings Limited								
8.125% Senior Notes due 2021	7.800	1.28%	–	–	–	4,912	60,450	60,450
8.375% Senior Notes due 2022	9.000	1.49%	–	(73)	–	5,768	70,050	70,123
Trillion Chance Limited								
8.5% Senior Notes due 2019	–	–	(130,749)	–	7,003	281	–	130,749
Caifu Holdings Limited								
8.75% Senior Notes due 2020	–	–	(72,432)	–	1,989	399	–	72,432
Country Garden Holdings Company Limited								
7.875% Senior Notes due 2019	–	–	(40,153)	48	1,734	2,110	–	40,105
Total	**168.156**	**27.91%**	**24,558**	**(7,595)**	**20,594**	**95,431**	**1,313,391**	**1,296,428**

Classified as current portion of Held-to-maturity investments as at 31 December 2017 for early redemption being informed or redemption upon maturity in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the issuers of the listed debt instruments are as follows:

1. Easy Tactic Limited – one of the wholly-owned subsidiaries of Guangzhou R&F Properties Company Limited (Stock code: 2777), which group's principal activities are the development of quality residential and commercial properties for sale mainly in China.

2. Agile Group Holdings Limited (Stock code: 3383) – its group's principal activities are involved in the businesses of property development, property management, hotel operations, property investment and environmental protection.

3. Shui On Development (Holding) Limited ("Shui On") – one of the wholly-owned subsidiaries of Shui On Land Limited (Stock code: 272), which group's principal activities are involved in the development, sale, leasing, management and the long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC.

4. Shimao Property Holdings Limited (Stock code: 813) – its group's principal activities are engaged in property development, investment and hotel operation.

5. Trillion Chance Limited – one of the wholly-owned subsidiaries of Guangzhou R&F Properties Company Limited (Stock code: 2777), which group's principal activities are the development of quality residential and commercial properties for sale mainly in China.

6. Caifu Holdings Limited – one of the wholly-owned subsidiaries of Guangzhou R&F Properties Company Limited (Stock code: 2777), which group's principal activities are the development of quality residential and commercial properties for sale mainly in China.

7. Country Garden Holdings Company Limited (Stock code: 2007) – its group's principal activities are engaged in property development, construction, property management, property investment and hotel operation.

(Stock code is referred to listings on The Stock Exchange of Hong Kong Limited)

However, the Management expects a stable rate of 6-8% per annum in average will be generated from the held-to-maturity investments.

Available-for-sale investments consists of listed and non-listed investments. During the year, the Group had acquired a listed perpetual security issued by Shui On with carrying value of HK$805,199,000 as at 31 December 2017, representing 17.11% of the Group's total assets. Distribution from Shui On received by our Group during the year was HK$26,144,000. The Management expects a stable return rate of at least 6% per annum from this investment.

OUTLOOK

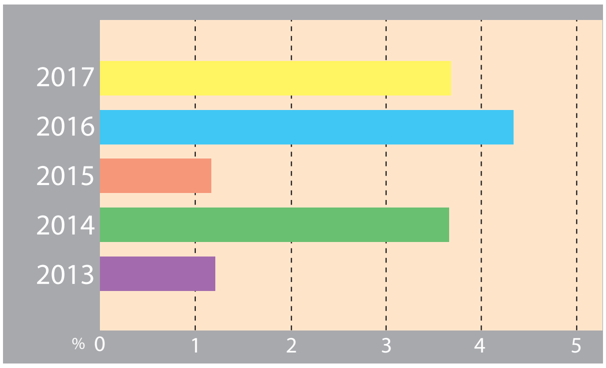
With emphasis on the market driven and result oriented strategies on operations, the Management is confident that the Group will continue to bring reasonable returns to its shareholders.

FINANCIAL HIGHLIGHTS

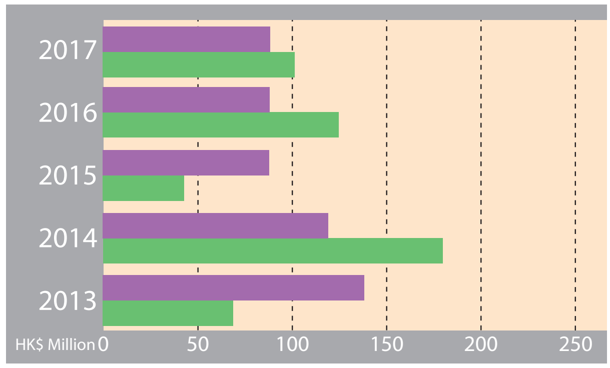
	2017	2016 (Restated)	2015 (Restated)	2014 (Restated)	2013 (Restated)
Revenue from continuing operations (HK$'000)	**2,729,834**	2,854,683	3,627,967	4,874,594	5,660,197
Increase/(decrease) in revenue in percentage	**(4.37%)**	(21.31%)	(25.57%)	(13.88%)	(2.06%)
Revenue analysis:					
1. Retail (HK$'000)	**1,608,612**	1,931,260	2,805,737	3,970,373	4,681,895
2. Export (HK$'000)	**476,554**	336,393	438,277	572,821	674,637
3. Financial investments (HK$'000)	**124,767**	104,485	51,410	44,776	22,402
4. Interior decoration and renovation (HK$'000)	**460,571**	473,245	330,800	284,485	280,046
5. Others (HK$'000)	**59,330**	9,300	1,743	2,139	1,217
Operating margin (%)	**3.72%**	4.38%	1.18%	3.70%	1.22%
Profit attributable to ordinary equity holders of the Company (HK$'000)	**88,669**	88,320	88,152	119,405	138,455
Increase/(decrease) in profit attributable to ordinary equity holders of the Company in percentage	**0.40%**	0.19%	(26.17%)	(13.76%)	(13.94%)
Equity attributable to ordinary equity holders of the Company (HK$'000)	**2,544,732**	2,454,782	2,039,838	2,134,230	2,232,460
Working capital (HK$'000)	**286,432**	596,413	506,872	693,764	918,665
Current ratio	**1.14**	1.38	1.32	1.26	1.45
Gearing ratio	**0.28**	0.15	0.10	0.32	0.07
Retailing inventory turnover (days)	**52**	59	51	48	52
Return on total assets (%)	**1.88%**	2.15%	2.38%	2.47%	3.23%
Return on equity (%)	**3.48%**	3.60%	4.32%	5.59%	6.20%
Return on revenue (%)	**3.25%**	3.09%	2.43%	2.45%	2.45%
Earnings per share (HK cents)					
Basic	**5.77**	6.29	8.39	11.13	12.88
Diluted	**5.77**	6.29	8.39	11.13	12.88
Dividend per share (HK cents)	**5.70**	5.70	7.70	10.27	12.15

FINANCIAL HIGHLIGHTS

OPERATING MARGIN FROM CONTINUING OPERATIONS (AFTER FINANCE COSTS)



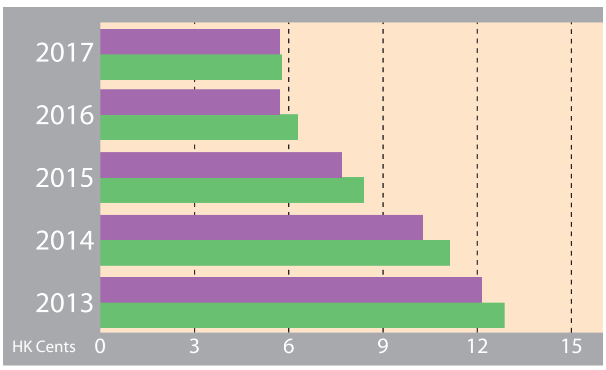
OPERATING PROFIT FROM CONTINUING OPERATIONS AND PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY



Profit attributable to ordinary equity holders of the Company

Operating profit (after finance costs) from continuing operations

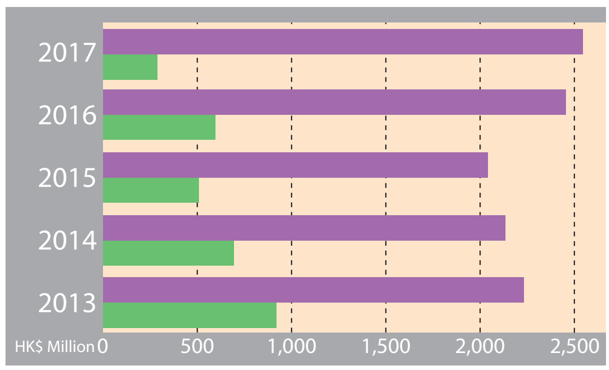
BASIC EARNINGS PER SHARE AND DIVIDEND PER SHARE



Dividend per share

Basic earnings per share

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

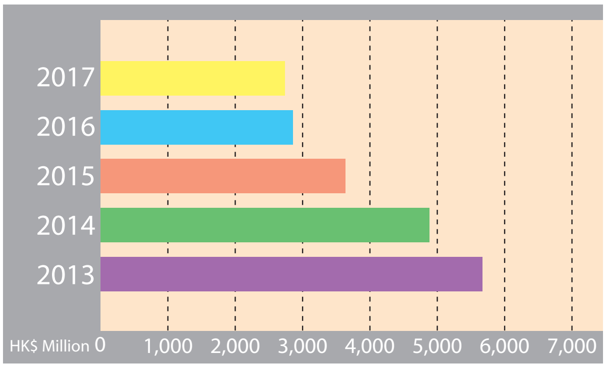


Equity attributable to ordinary equity holders of the Company

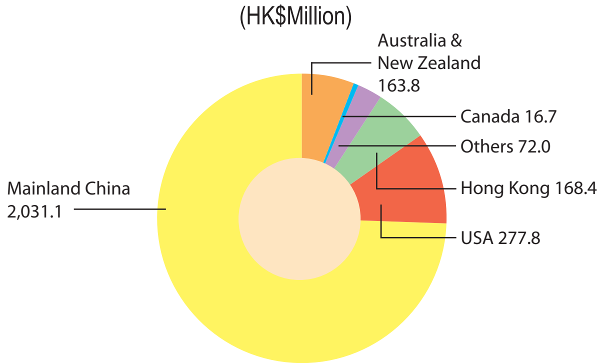
Working capital

FINANCIAL HIGHLIGHTS

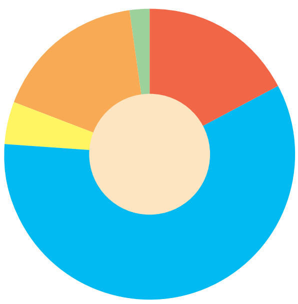
REVENUE FROM CONTINUING OPERATIONS
(HK$Million)



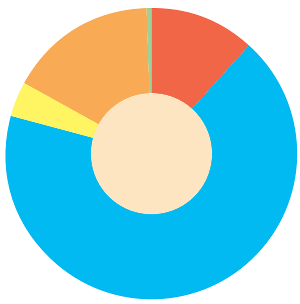
REVENUE FROM CONTINUING OPERATIONS BY GEOGRAPHICAL LOCATIONS
(HK$Million)



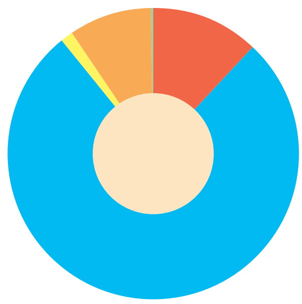
TURNOVER FROM CONTINUING OPERATIONS BY ACTIVITIES (HK$Million)


2017

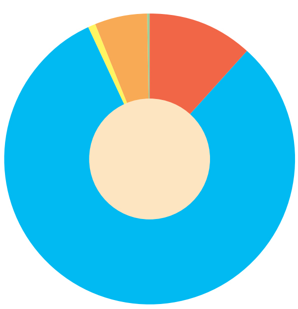
Export	476.5
Retail	1,608.6
Financial Investments	124.8
Interior decoration and renovation	460.6
Others	59.3


2016

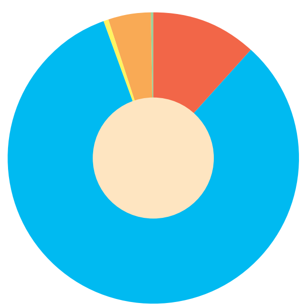
Export	336.4
Retail	1,931.3
Financial Investments	104.5
Interior decoration and renovation	473.2
Others	9.3


2015

Export	438.3
Retail	2,805.7
Financial Investments	51.4
Interior decoration and renovation	330.8
Others	1.8


2014

Export	572.8
Retail	3,970.4
Financial Investments	44.8
Interior decoration and renovation	284.5
Others	2.1


2013

Export	674.6
Retail	4,681.9
Financial Investments	22.4
Interior decoration and renovation	280.1
Others	1.2

OPERATION HIGHLIGHTS

Year ended 31 December 2017

RETAIL OPERATION HIGHLIGHTS

	2017	2016	2015	2014 (Restated)	2013 (Restated)
CONTINUING OPERATIONS: THE PRC					
Net sales for the Year (HK$'000)	**1,608,612**	1,931,260	2,805,737	3,970,372	4,681,895
Retail floor area of directly managed shops (sq.ft.)	**406,212**	530,404	707,343	960,644	1,211,106
Number of sales persons	**1,760**	2,201	3,148	4,697	6,684
Number of employees	**2,475**	3,176	4,548	6,530	8,879
Number of directly managed shops	**372**	430	573	792	1,029
Number of franchised shops	**840**	1,036	1,333	1,492	1,522
Total number of retail shops	**1,212**	1,466	1,906	2,284	2,551

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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 2017 (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, Dr. Chung Shui Ming, Timpson, GBS, JP, Independent Non-executive Directors, was not present at the Company's annual general meeting for the year 2017 and the special general meeting both held on 2 June 2017. Dr. Chung was also absent from the special general meeting of the Company held on 9 November 2017.

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. 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.

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 the Group's strategies and policies in conjunction with the Board; oversees the function of the Board and encourages and facilitates constructive relations between Executive Directors 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.

The Nomination Committee, which was established by the Board in March 2012, is responsible for reviewing the 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. During the year 2017, no new Director had been selected or recommended for directorship.

CORPORATE GOVERNANCE REPORT

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 4 June 2018. 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.

Mr. Lau Hon Chuen, Ambrose, GPS, JP has confirmed that he is the senior partner of Messrs. Chu & Lau, Solicitors & Notaries, and that he himself and the law firm have acted for the Company, its related or connected companies or persons. The Board considered that the amounts involved for the services provided are insignificant, and the services received from Mr. Lau and the law firm 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.

MEETINGS AND ATTENDANCE

The Board met on nine 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 2017 and the special general meetings 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	6/9*			1/1	2/2	1/1	2/2
Mr. Yeung Chun Fan	6/9*				2/2	1/1	1/2
Mr. Pau Sze Kee, Jackson	9/9		2/2		2/2	1/1	2/2
Mr. Hui Chung Shing, Herman, SBS, MH, JP	9/9					1/1	2/2
Ms. Cheung Wai Yee	6/9#					1/1	1/2
Mr. Chan Wing Kan, Archie	9/9				2/2	1/1	2/2
Ms. Yeung Yin Chi, Jennifer	9/9				2/2	1/1	2/2
Independent Non-executive							
Mr. Lau Hon Chuen, Ambrose, GBS, JP	9/9	2/2		1/1		1/1	2/2
Dr. Chung Shui Ming, Timpson, GBS, JP	5/9	2/2	2/2	1/1		0/1	0/2
Mr. Wong Man Kong, Peter, BBS, JP	6/9	1/2	2/2		1/2	1/1	2/2
Dr. Lam Lee G.	8/9	2/2			2/2	1/1	2/2

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

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

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 system, risk management 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 2017 included the following:

– review of the annual results announcement, financial statements, report of the Directors and corporate governance report for the year 2016

– review of the 2017 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 2016 and for the six months ended 30 June 2017

– approval of the terms of engagement and the remuneration of the external auditor

– assessment of the independence of the external auditor

– review of a report prepared by the external auditor on any issues arising from their audits

In addition, during the year under review, the Audit Committee met with the external auditor 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 2017 included the following:

– approval of and recommendation to the Board on 2017 salary increases, 2016 year-end bonuses and performance bonuses for the Executive Directors and the senior management

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

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

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

CORPORATE GOVERNANCE REPORT

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 2017 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

The Investment Committee

The Board set up the Investment Committee on 10 December 2015 with specific written terms of reference. Currently, 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 and 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 two meetings during the year under review. The work of the Investment Committee in 2017 included the following:

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

– recommendation on strategic plan of financial investment activities

CORPORATE GOVERNANCE REPORT

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.

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, financial investments, 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 2017, 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 are 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 auditor 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 2017.

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.

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.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The fees in respect of audit and non-audit services provided to the Group by the external auditor of the Company, Ernst & Young, for the year ended 31 December 2017 amounted to approximately HK$2,780,000 and HK$684,100 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 2017 annual general meeting, the Chairman of the Board (also the Chairman of the Nomination Committee and the Investment Committee), the Chairmen of the Audit Committee and the Remuneration Committee, as well as the external auditor were present to answer Shareholders' questions.

The Company also maintains a website at www.glorisun.com which enables its 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.

CORPORATE GOVERNANCE REPORT

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 2017.

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, financial investments and interior decoration and renovation.

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 and the Management Discussion and Analysis set out on pages 9 to 21 of this annual report. This discussion forms part of this Report of the Directors.

The Company's Environmental, Social and Governance Report prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") will be published on the websites of the Company and the Stock Exchange within three months from the publication of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2017 and the Group's financial position at that date are set out in the financial statements on pages 61 to 165.

An interim dividend of HK2.50 cents per ordinary share was paid on 18 September 2017. 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 11 June 2018.

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 167 and 168 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 2017, the Company's reserves available for distribution, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$512,311,000, 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$67,000.

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. 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.

REPORT OF THE DIRECTORS

In accordance with bye-law 110(A) of the Company's Bye-laws, Dr. Charles Yeung, GBS, JP, the executive Chairman of the Board of Directors of the Company, shall not be subject to retirement by rotation. However, in view of good corporate governance practices and in compliance of the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules, Mr. Charles Yeung will voluntarily retire from his office and offer himself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 110(A) of the Company's Bye-laws, Mr. Pau Sze Kee, Jackson, Ms. Cheung Wai Yee and Mr. Wong Man Kong, Peter, BBS, JP will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 27 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 41 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 2017, 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	830,073,000	968,358,499 (1) & (2)	63.041
	(ii) Joint interest	138,285,499		
Mr. Yeung Chun Fan	(i) Beneficial owner	75,000,000	1,053,453,499 (1), (2) & (3)	68.580
	(ii) Interest of controlled corporations	830,073,000		
	(iii) Joint interest	138,285,499		
	(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	1,053,453,499 (1), (2) & (3)	68.580
	(ii) Interest of spouse	1,043,358,499		
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 and 207,810,000 shares were held by Advancetex Holdings (BVI) Limited (the entire issued voting share capital of each of which was held as to 51.934% by Mr. Charles Yeung and as to 48.066% by Mr. Yeung Chun Fan).

(2) 138,285,499 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 830,073,000 shares related to the same block of shares held by two companies controlled by Mr. Yeung Chun Fan.

Save as disclosed above, as at 31 December 2017, 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 71, 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 has served as a Member of the 9th, 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference and is a Life Honorary Chairman of The Chinese General Chamber of Commerce. Dr. Yeung is a director and 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 65, 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 Donghua University and the Qingdao University. Mr. Yeung is a Member of the National Committee of the Chinese People's Political Consultative Conference, a Vice-chairman of the China Association of Enterprises with Foreign Investment and a Vice-president of the China National Textile and Apparel Council. 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 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 66, 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 apparel sales and exports to third party customers.

REPORT OF THE DIRECTORS

Mr. HUI Chung Shing, Herman, SBS, MH, JP, aged 67, 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 66, 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 71, 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 38, joined the Group in 2011 and has been an Executive Director of the Company since November 2016. Ms. Yeung has many years of experience in the 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 70, 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 has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is currently the senior partner of Messrs. Chu & Lau, Solicitors & Notaries, 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 66, 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, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited and China Railway Group Limited. He is also a Member of National Committee of the 13th Chinese People's Political Consultative Conference.

Mr. WONG Man Kong, Peter, BBS, JP, aged 69, 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, 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 13th National People's Congress of the PRC, a Vice Chairman of the Standing Committee 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 58, 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, a Fellow of the Hong Kong Institute of Arbitrators and the Hong Kong Institute of Directors, an Honorary Fellow of CPA Australia, a Fellow of CMA Australia and an Honorary Fellow of the University of Hong Kong School of Professional and Continuing Education (HKU SPACE). Dr. Lam has over 30 years of multinational general management, strategy 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, and a member of the Legal Aid Services Council, the Education Bureau School Allocation Committee, the New Business Committee of the Financial Services Development Council (FSDC), the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx) and the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, Dr. Lam is Chairman of Hong Kong Cyberport Management Company Limited, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialization, the Hong Kong Council on Smoking and Health, the Council on Professional Conduct in Education (CPC), and the Court of the City University of Hong Kong, Vice Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory Council 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 board member of Pacific Basin Economic Council (PBEC), a member of the Belt and Road Committee of the Hong Kong Trade Development Council, a member of Sir Murray MacLehose Trust Fund Investment Advisory Committee, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Honorary Chairman – Asia Pacific of CMA Australia, Chairman of Monte Jade Science and Technology Association of Hong Kong, President of Hong Kong – ASEAN Economic Cooperation Foundation, a Vice President of the Hong Kong Real Property Federation, Special Adviser to the Asia Pacific Real Estates Association, a board member of the Chinese General Chamber of Commerce of Hong Kong and the Australian Chamber of Commerce in Hong Kong and Macau, a founding board member and the Honorary Treasurer of the Hong Kong Vietnam Chamber of Commerce, Vice Chairman of the Hong Kong Myanmar Chamber of Commerce, a founding member of the Hong Kong – Korea Business Council, and a member of the Hong Kong – Thailand Business Council.

REPORT OF THE DIRECTORS

Senior Management

Mr. CHOW Hing Ping, aged 69, 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.

Mr. LAI Man Sum, alias Sam LAI, aged 56, 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 55, 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 2017, 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 2017.

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 6 April 2017, Jeanswest (BVI) Limited, an indirect wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement to dispose of its interest in Jeanswest International (L) Limited to Howsea Limited, a company owned by Dr. Charles Yeung, GBS, JP and Mr. Yeung Chun Fan, both are directors and substantial shareholders of the Company, at a consideration of HK$220,000,000. Details of the transaction are set out in the Company's announcement dated 6 April 2017 and circular dated 12 May 2017. The transaction was approved at a special general meeting of the Company held on 2 June 2017 and was completed on 1 July 2017.

On 7 September 2017, 重慶市真維斯服飾有限公司 (Chongqing Jeanswest Apparels Company Limited)@ and 吉林真維斯服飾有限公司 (Jilin Jeanswest Apparels Company Limited)@, both indirect wholly-owned subsidiaries of the Company, entered into disposal agreements as sellers to dispose of two properties in the PRC to 惠州旭興置業有限公司 (Huizhou Xuxing Property Company Limited)@, a company controlled by Mr. Charles Yeung and Mr. Yeung Chun Fan, both are directors and substantial shareholders of the Company, at a total consideration of RMB59,030,000. Details of the transactions are set out in the Company's announcement dated 7 September 2017 and circular dated 13 October 2017. The transactions were approved at a special general meeting of the Company held on 9 November 2017.

@ Official names of these companies are in Chinese. English names of the companies are included for identification purposes only.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

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

	Notes	2017 HK$'000	2016 HK$'000
Rental expenses paid to:	(i)		
G. S. (Yeungs) Limited		**1,135**	1,125
Harbour Guide Limited		**2,101**	3,889
Rank Profit Industries Limited		**5,030**	10,230
銀富房產（惠州）有限公司 (Yin Fu Properties (Huizhou) Company Limited)@		**647**	762
惠州市惠富置業有限公司 (Huizhou Hui Fu Properties Company Limited)@		**1,451**	1,539
瀋陽市惠富房產有限公司 (Shenyang Hui Fu Properties Company Limited)@		**–**	398
Yeung Cheung Yip and Yeung Hon Yip		**8,188**	8,073
Gloryear Management Limited		**531**	695
Yeung's Family#		**1,272**	1,250
惠州旭興置業有限公司 (Huizhou Xuxing Property Company Limited)@		**1,915**	–
		22,270	27,961
Management fees paid to:	(ii)		
Rank Profit Industries Limited		**974**	1,855
惠州市城市花園物業管理有限公司 (Huizhou City Garden Property Management Company Limited)@		**35**	48
		1,009	1,903
Total		**23,279**	29,864
Design and management fee paid to:	(iii)		
Glory Star Investments Limited		**5,820**	–
Supply of apparel products and accessories to:	(iv)		
Jeanswest Corporation Pty. Ltd.		**129,564**	–
Jeanswest Corporation (New Zealand) Limited		**12,498**	–
		142,062	–

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.

(iii) The design and management fee was charged according to the design and management agreement signed between the parties having regard to 3% of the net sales of the relevant products under Jeanswest brand in the PRC.

(iv) The supply of apparel products and accessories were made according to the prices of apparel products and accessories mutually agreed by the parties for each individual order placed and were either at market rates or at rates no less favourable to the Company than such rates offered to any other independent third party.

@ Official names of these companies are in Chinese. English names of the companies are included for identification purposes only.

Yeung's family means Yeung Chun Kam, Yeung Chun Fan, the late Yeung Chun Ho, Yeung Yuk Wai, the late 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 Auditor, 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 Auditor's 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 Report of the Directors, no other equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2017.

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 2017, 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 27 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 2017, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Dr. Chung Shui Ming, Timpson, GBS, JP has retired from his office of a director of China State Construction Engineering Corporate Limited, a public listed company in Shanghai, PRC.

Mr. Wong Man Kong, Peter, BBS, JP has retired from his office of a director of Chinney Investments, Limited, a public listed company in Hong Kong.

Dr. Lam Lee G. has been appointed as a director of Huarong Investment Stock Corporation Limited, Xi'an Haitiantian Holdings Co., Ltd., Hua Long Jin Kong Company Limited, Kidsland International Holdings Limited, China Shandong Hi-Speed Financial Group Limited, Tianda Pharmaceuticals Limited and Roma Group Limited (all are public listed companies in Hong Kong), and he then resigned as a director of Roma Group Limited.

Dr. Lam Lee G. has been appointed as a director of Adamas Finance Asia Ltd. (a public listed company in England) and Singapore eDevelopment Limited (a public listed company in Singapore). Dr. Lam is a director of Coalbank Limited (a public listed company in Australia) which has changed its name to AustChina Holdings Limited. Dr. Lam resigned as a director of Vietnam Equity Holding (a public listed company in Germany).

AUDITOR

Ernst & Young retire and a resolution for their reappointment as auditor 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, 22 March 2018


Jeans west
NK.80
PNC

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 61 to 165, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

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

KEY AUDIT MATTERS *(CONTINUED)*

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.

Key audit matter	How our audit addressed the key audit matter
Inventory provision assessment on apparel	
As at 31 December 2017, the Group had inventories of approximately HK$352.6 million, of which inventories related to apparel accounted to approximately HK$259.8 million and represented 5.5% of the Group's total assets, and 73.7% of the Group's inventories. One of the principal businesses of the Group is selling of apparel which 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 apparel 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. The accounting policies and disclosures in relation to inventory provision are included in notes 2.4, 3, 7 and 22 to the consolidated financial statements.	We obtained an understanding of the inventory provisioning policy and how it was applied, we then evaluated the policy and checked that 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 of apparel with reference to the stock ageing analysis to check 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.

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 income tax provision	
The carrying amount of Group's tax payable as at 31 December 2017 amounted to approximately HK$66.3 million. Due to the Group's business being operated in 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. The accounting policies and disclosures in relation to current income taxes are included in notes 2.4, 3, 10 and 38 to the consolidated financial statements.	We obtained an understanding and evaluated the estimations made by management in arriving at the provision for tax exposures. In understanding and evaluating management's judgements, we involved our internal tax specialists to assist with the evaluation of the tax provision recognised, including assessing the Group's interpretation and application of the relevant tax laws, and the key assumptions used. We also reviewed the latest correspondences with tax authorities as part of our assessment of the adequacy of tax provision.

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.

INDEPENDENT AUDITOR'S REPORT

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

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.

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.

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)*

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 CHIU, Caroline Su Yuen.

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

22 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**2,729,834**	2,854,683
Cost of sales		**(1,844,671)**	(1,939,014)
Gross profit		**885,163**	915,669
Other income and gains	5	**166,553**	156,380
Selling and distribution expenses		**(498,875)**	(524,873)
Administrative expenses		**(376,902)**	(364,712)
Other expenses		**(62,898)**	(48,314)
Finance costs	6	**(11,490)**	(9,049)
OPERATING PROFIT FROM CONTINUING OPERATIONS		**101,551**	125,101
Share of profits and losses of associates		**–**	5,952
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**101,551**	131,053
Income tax credit/(expenses)	10	**(13,653)**	16,005
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**87,898**	147,058
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	11	**3,786**	(55,307)
PROFIT FOR THE YEAR		**91,684**	91,751
Attributable to:			
Ordinary equity holders of the Company		**88,669**	88,320
Non-controlling interests		**3,015**	3,431
		91,684	91,751
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13	**HK cents**	HK cents
Basic and diluted			
For profit for the year		**5.77**	6.29
For profit from continuing operations		**5.52**	10.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR	**91,684**	91,751
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**15,492**	–
Exchange differences:		
Release of reserve upon disposal of a subsidiary	**49,557**	–
Exchange differences on translation of foreign operations	**25,054**	(34,738)
	74,611	(34,738)
Other comprehensive income to be reclassified to profit or loss in subsequent periods	**90,103**	(34,738)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	**–**	9,016
Income tax effect	**–**	(2,493)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**–**	6,523
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**90,103**	(28,215)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**181,787**	63,536
Attributable to:		
Ordinary equity holders of the Company	**177,498**	61,330
Non-controlling interests	**4,289**	2,206
	181,787	63,536

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**277,427**	480,794
Investment properties	15	**254,323**	220,250
Prepaid land lease payments	16	**4,936**	4,845
Goodwill	17	**–**	34,492
Held-to-maturity investments	19	**951,514**	1,093,247
Available-for-sale investments	20	**817,175**	11,364
Rental deposits	25	**5,259**	14,511
Deferred tax assets	31	**3,732**	62,296
Total non-current assets		**2,314,366**	1,921,799
CURRENT ASSETS			
Inventories	22	**352,638**	476,357
Interior decoration and renovation contracts	23	**18,241**	23,461
Trade receivables	24	**328,285**	329,745
Prepayments, deposits and other receivables	25	**330,775**	258,667
Due from an associate	18(b)	**1,309**	920
Due from other related companies	26	**27,418**	29,794
Held-to-maturity investments	19	**361,877**	203,181
Listed equity investment at fair value through profit and loss	21	**–**	9,243
Cash and cash equivalents	27	**971,131**	854,311
Total current assets		**2,391,674**	2,185,679
CURRENT LIABILITIES			
Trade and bills payables	28	**450,284**	525,528
Interior decoration and renovation contracts	23	**24,842**	24,535
Other payables and accruals	29	**571,902**	519,135
Due to an associate	18(b)	**21**	30
Interest-bearing bank and other borrowings	30	**991,847**	425,839
Tax payable		**66,346**	94,199
Total current liabilities		**2,105,242**	1,589,266
NET CURRENT ASSETS		**286,432**	596,413
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,600,798**	2,518,212

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Provision		**–**	13,159
Deferred tax liabilities	31	**43,815**	40,084
Total non-current liabilities		**43,815**	53,243
Net assets		**2,556,983**	2,464,969
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	32	**153,609**	153,609
Reserves	34	**2,391,123**	2,301,173
		2,544,732	2,454,782
Non-controlling interests		**12,251**	10,187
Total equity		**2,556,983**	2,464,969

Charles Yeung, GBS, JP
Director

Yeung Chun Fan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		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$'000 (note 34 (iii))	Available-for-sale investment reserve HK$'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 2017		153,609	739,640	189,699	60	25,806	–	(11,259)	3,221	1,354,006	2,454,782	10,187	2,464,969
Profit for the year		–	–	–	–	–	–	–	–	88,669	88,669	3,015	91,684
Other comprehensive income for the year:													
Available-for-sale investments:													
Changes in fair value		–	–	–	–	–	15,492	–	–	–	15,492	–	15,492
Exchange differences on translation of foreign operations		–	–	–	–	–	–	23,780	–	–	23,780	1,274	25,054
Release of reserve upon disposal of a subsidiary	36	–	–	–	–	–	–	49,557	–	–	49,557	–	49,557
Total comprehensive income for the year		–	–	–	–	–	15,492	73,337	–	88,669	177,498	4,289	181,787
Disposal of a subsidiary		–	–	2,779	–	–	–	–	–	(2,779)	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(2,225)	(2,225)
Equity-settled share option arrangements	33	–	–	–	9	–	–	–	–	–	9	–	9
Final 2016 dividend	12	–	–	–	–	–	–	–	–	(49,155)	(49,155)	–	(49,155)
Interim 2017 dividend	12	–	–	–	–	–	–	–	–	(38,402)	(38,402)	–	(38,402)
Transfer within reserves		–	–	–	–	–	–	–	794	(794)	–	–	–
At 31 December 2017		153,609	739,640*	192,478*	69*	25,806*	15,492*	62,078*	4,015*	1,351,545*	2,544,732	12,251	2,556,983

* These reserve accounts comprise the consolidated reserves of HK$2,391,123,000 (2016: HK$2,301,173,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		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		–	–	–	–	–	–	–	(66,052)	(66,052)	–	(66,052)
Interim 2016 dividend	12	–	–	–	–	–	–	–	(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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**101,551**	131,053
From a discontinued operation		**2,017**	(80,125)
Adjustments for:			
Finance costs		**12,984**	11,634
Share of profits and losses of associates		**–**	(5,952)
Bank interest income		**(6,066)**	(4,790)
Depreciation	14	**55,064**	91,913
Amortisation of prepaid land lease payments	16	**164**	161
Impairment of items of property, plant and equipment	14	**13,425**	6,346
Revaluation deficit of items of property, plant and equipment	14	**5,565**	–
Impairment/(reversal of impairment) of trade receivables, net	24	**7,674**	(2,807)
Gain on disposal of items of property, plant and equipment, net		**(29,607)**	(46,381)
Gain on disposal of a subsidiary	36	**(22,744)**	–
Income received on early redemption of held-to-maturity investments	5	**(20,594)**	–
Provision for inventories, net		**30,624**	50,634
Equity-settled share option expense/(credit)	33	**9**	(47)
Changes in fair value of investment properties	5	**(7,445)**	(20,470)
Effect of foreign exchange rate changes, net		**(32,709)**	23,817
		109,912	154,986
Decrease/(increase) in inventories		**(65,143)**	64,238
Decrease in interior decoration and renovation contracts		**5,527**	1,074
Decrease/(increase) in trade receivables		**(13,120)**	12,112
Decrease/(increase) in prepayments, deposits and other receivables		**(72,600)**	59,587
Decrease/(increase) in listed equity investment at fair value through profit or loss		**9,243**	(9,243)
Decrease in held-to-maturity investments		**7,595**	6,490
Decrease/(increase) in amounts due from other related companies		**10,111**	(28,259)
Decrease/(increase) in an amount due from an associate		**(389)**	54,903
Decrease in trade and bills payables		**(25,104)**	(70,280)
Increase/(decrease) in other payables and accruals		**204,003**	(115,634)
Decrease in an amount due to an associate		**(9)**	(56)
Cash generated from operations		**170,026**	129,918

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000 (Restated)
Cash generated from operations		**170,026**	129,918
Interest paid		**(12,984)**	(11,634)
Hong Kong profits tax paid		**(42,496)**	(6,684)
Overseas taxes paid		**(4,491)**	(22,537)
Net cash flows from operating activities		**110,055**	89,063
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**6,066**	4,790
Dividends received from an associate		**–**	41,423
Purchases of items of property, plant and equipment		**(41,316)**	(72,911)
Purchases of held-to-maturity investments		**(593,188)**	(642,436)
Purchase of an available-for-sale investment		**(789,707)**	–
Proceeds from early redemption of held-to-maturity investments		**589,224**	–
Proceeds from disposal of items of property, plant and equipment		**70,420**	136,998
Decrease in pledged deposits		**–**	30,396
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		**–**	3,089
Decrease in other investment		**–**	4,819
Disposal of a subsidiary	36	**177,488**	–
Net cash flows used in investing activities		**(581,013)**	(493,832)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from rights issue		**–**	460,825
Rights issue expenses		**–**	(2,096)
New bank and other loans		**6,850,022**	926,731
Repayment of bank and other loans		**(6,197,001)**	(728,545)
Dividends paid		**(87,557)**	(104,454)
Dividends paid to non-controlling shareholders		**(2,225)**	–
Net cash flows from financing activities		**563,239**	552,461
NET INCREASE IN CASH AND CASH EQUIVALENTS		**92,281**	147,692
Cash and cash equivalents at beginning of year		**854,311**	730,347
Effect of foreign exchange rate changes, net		**24,539**	(23,728)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**971,131**	854,311
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**670,462**	732,645
Non-pledged time deposits with original maturity of three months or less when acquired		**300,669**	121,666
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**971,131**	854,311

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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 retailing, export and production of casual wear, financial investments and interior decoration and renovation.

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
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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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
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
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
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

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
Glorious Sun Investment (China) Company Limited (旭日投資(中國)有限公司)*#@	Mainland China	US$30,000,000	–	100	Investment holding
PPT International (HK) Company Limited	Hong Kong	HK$100,000	–	100	Trading of apparel
Glorious Sun Production (BVI) Limited#	British Virgin Islands	US$3	–	100	Investment holding

* Registered as wholly-foreign-owned enterprises under PRC law
** Registered as Sino-foreign equity joint ventures under PRC law
*** These companies have been disposed of on 1 July 2017
\# 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 translations of the names are 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.

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 investments 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.1 BASIS OF PREPARATION *(CONTINUED)*

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 2017. 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.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) 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. Disclosure of the changes in liabilities arising from financing activities is provided in note 37 to the financial statements.

(b) Amendments to HKAS 12 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 amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group does not have any subsidiaries classified as a disposal group held for sale as at 31 December 2017 and so no additional information is required to be disclosed.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[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*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Investments in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to the following standards: – HKFRS 3 *Business Combinations*[2] – HKFRS 11 *Joint Arrangements*[2] – HKAS 12 *Income Taxes*[2] – HKAS 23 *Borrowing Costs*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

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

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 an 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will 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 will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9.

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of financial assets. Management expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income and the related gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its receivables within the next twelve months. Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits as at 1 January 2018.

Amendments to HKFRS 9, issued in December 2017, allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of the contract to be measured at amortised cost or at fair value through other comprehensive income. The amendments clarify that a financial asset passes the “solely payments of principal and interest on the principal amount outstanding” criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. The Group expects to adopt these amendments from 1 January 2019 and to apply the exemption from restating comparative information of prior periods. Any difference between the previous carrying amount and the adjusted carrying amount will be recognised in the opening balance of equity. The amendments do not apply to the Group as the Group does not have any debt instruments with prepayment features along with compensation for early termination. In addition, as clarified in the amendments to the basis for conclusions on HKFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognised in profit or loss. As there is no specific relief on this clarification, this requirement shall be applied retrospectively. The Group’s current accounting policy is consistent with this clarification and therefore the adoption of the amendments is not expected to have any impact on the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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 or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture 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 or joint venture. 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 adoption now.

HKFRS 15, issued in July 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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 will adopt HKFRS 15 from 1 January 2018 and plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

The Group's principal activities consist of the production and sales of casual wear, provision of interior decoration and renovation service, and financial investments. The directors of the Company have assessed the impacts upon the adoption of HKFRS 15 and the expected impacts are as follows:

(a) Sale of casual wear

Revenue from the sale of casual wear is recognised after the risk and reward has been transferred to the customers. Upon the adoption of HKFRS 15, revenue from the sale of casual wear will be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group has assessed that the sale of casual wear is a distinct performance obligation under HKFRS 15. The Group has determined that when HKFRS 15 is adopted, there will be no change in revenue from the sale of casual wear.

(b) Sales with a right of return

Currently when the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales. The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventories for the expected returns, instead of recognising a separate asset.

(c) Provision of interior decoration and renovation service

Performance obligations satisfied over time

Under HKFRS 15, revenue is recognised when an entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(i) the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

(iii) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

(c) Provision of interior decoration and renovation service *(continued)*

Performance obligations satisfied over time (continued)

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that its contracts with customers fulfil the criteria for recognising revenue over time under HKFRS 15. Methods that can be used under HKFRS 15 to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time include (i) output method (i.e., recognise revenue on the basis of direct measurement of the value to the customer of the entity's performance to date); and (ii) input method (i.e., recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation). In measuring the work progress under the new revenue standard, the Group considers that an input method with reference to the contract costs incurred for work performed to date bear to the estimated total contract cost and any adjustment, where it is necessary and can be objectively determined, on the work progress would appropriately depict the transfer of control of goods or services to customers for individual projects under the new standard. So far as the measurement of progress for the Group's typical contracts is concerned, the Group does not expect the adoption of HKFRS 15 would significantly affect its financial position and performance based on the assessment performed so far.

Costs to fulfil a contract

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, an entity shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

(i) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(ii) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(iii) The costs are expected to be recovered.

Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

(c) Provision of interior decoration and renovation service *(continued)*

Costs to fulfil a contract (continued)

Currently, contract costs are recognised by reference to the stage of completion of the contract, which is measured with reference to the contract costs incurred for work performed to date bear to the estimated total contract cost. The Group has assessed that the adoption of HKFRS 15 may result in earlier recognition of contract costs that relate to satisfied performance obligations.

The directors of the Company currently does not expect the adoption of HKFRS 15 would have a significant impact on how it recognises revenue and costs from contracts with reference to the Group's typical contracts. The extent of impact on the Group's financial position and performance upon initial adoption of HKFRS 15 would depend on the progress of and facts specific to the Group's individual contracts.

Apart from the above, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and measurement of revenue recognised in the future reporting period. The Company anticipates that the application of HKFRS 15 in the future may result in more disclosure.

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

HKFRS 16, issued in May 2016, 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 39(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$115,239,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(continued)*

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.

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 2017

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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;

(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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases *(continued)*

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.

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:

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 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are the non-derivative financial assets in listed and unlisted equity investments, which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investment is subsequently measured at fair value, with unrealised gain or loss recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Distribution and dividend earned whilst holding the available-for-sale financial investments are reported as distribution on available-for-sale investment and dividend income, respectively and are recognised in the statement of profit or loss as revenue in accordance with the policy set out for "Revenue recognition" below.

When the fair value of an 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 assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade this financial assets due to inactive markets, the Group may elect to reclassify this financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 payables, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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";

(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) distribution from listed available-for-sale investments and dividend income, when the shareholders' right to receive payment has been established;

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(continued)*

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

(g) royalty income, is recognised on an accruals basis in accordance with the terms of the relevant licensing agreements.

(h) 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.

Revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the percentage of cost incurred of work performed to date to the total contract sum of the relevant contract.

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Other employee benefits *(continued)*

Pension schemes (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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.

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.

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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.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

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.

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment of all non-financial assets at the end of each reporting period. Non-financial assets other than goodwill and intangible assets of indefinite life are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use is calculated to assess for impairment, management applies assumptions to prepare cash flow forecast, i.e. discount rate, growth rate for the asset or cash-generating unit to calculate the present value of those cash flows. Since the Group's retail business recorded a loss during the current financial year, the management of the Company performed impairment assessment of the cash-generated unit by using value in use calculations based on the discounted cash flows. Significant judgement and estimation are involved in the assessment of their recoverable amounts.

Write-down of inventories to net realisable value

Management reviews the ageing 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.

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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.

Income taxes and deferred taxes

Since the Group's business operates 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.

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 five 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 treasury management;

(d) the "interior decoration and renovation business" segment engages in interior decoration and renovation businesses; and

(e) the "others" segment mainly engages in domestic sales of apparel and investment in commercial and industrial properties for rental income and/or capital appreciation

As the interior decoration and renovation business expanded significantly in the past years and evolved from serving within the Group to external customers, operating results of this business are now separately reviewed and evaluated for management related purposes. As such, during the year, the Group has redefined its principal business to include interior decoration and renovation business and recorded the related income as revenue. As a result of this redesignation, the Group has retrospectively reclassified the revenue and related cost of sales from other income. The impact to the consolidated statement of profit or loss for the year ended 31 December 2016 included an increase in revenue by HK$473,245,000, an increase in cost of sales by HK$441,476,000 and a decrease in other income and gains by HK$31,769,000. Further, an additional segment, interior decoration and renovation business has been added retrospectively to reflect the changes.

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.

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4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

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

By business

	Year ended 31 December 2017					
	Retail operations HK$'000	Export operations HK$'000	Financial investments HK$'000	Interior decoration and renovation HK$'000	Others# HK$'000	Total from continuing operations HK$'000
Segment revenue:						
Revenue from external parties	1,608,612	476,554	124,767	460,571	59,330	2,729,834
Other income and gains	21,111	30,978	20,594	967	6,524	80,174
Total	1,629,723	507,532	145,361	461,538	65,854	2,810,008
Segment results	(28,987)	21,926	134,960	14,297	468	142,664
Interest income						5,930
Unallocated revenue						80,449
Corporate and other unallocated expenses						(116,002)
Finance costs						(11,490)
Profit before tax from continuing operations						101,551
Income tax expenses						(13,653)
Profit for the year from continuing operations						87,898
Other segment information:						
Depreciation and amortisation	16,138	538	–	2,275	11,594	30,545
Impairment losses recognised in the consolidated statement of profit or loss	38,226	–	–	1,957	12,070	52,253
Other non-cash income, net	–	–	–	–	(1,871)	(1,871)
Capital expenditure*	21,246	1,174	–	2,587	1,542	26,549

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

By business *(continued)*

	Year ended 31 December 2016					
	Retail Operations HK$'000 (Restated)	Export operations HK$'000	Financial investments HK$'000	Interior decoration and renovation HK$'000 (Restated)	Others# HK$'000 (Restated)	Total from continuing operations HK$'000 (Restated)
Segment revenue:						
Revenue from external parties	1,931,260	336,393	104,485	473,245	9,300	2,854,683
Other income and gains	23,656	12,520	–	5,043	6,783	48,002
Total	1,954,916	348,913	104,485	478,288	16,083	2,902,685
Segment results	24,903	9,041	99,869	8,237	822	142,872
Interest income						4,537
Unallocated revenue						103,841
Corporate and other unallocated expenses						(117,100)
Finance costs						(9,049)
Share of profits and losses of associates	5,694	258	–	–	–	5,952
Profit before tax from continuing operations						131,053
Income tax credit						16,005
Profit for the year from continuing operations						147,058
Other segment information:						
Depreciation and amortisation	26,813	672	–	4,228	14,316	46,029
Impairment losses recognised in the consolidated statement of profit or loss	47,721	–	–	–	–	47,721
Impairment losses reversed in the consolidated statement of profit or loss	(2,807)	–	–	–	–	(2,807)
Other non-cash income, net	–	–	–	–	(20,517)	(20,517)
Capital expenditure*@	69,326	227	–	1,135	2,223	72,911

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

\# The "Others" in other segment information comprises corporate and unallocated revenue/expenses.

@ The capital expenditure consists of continuing operations and a discontinued operation.

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4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

By region

	Mainland China HK$'000	Hong Kong HK$'000	Australia and New Zealand HK$'000	United States of America HK$'000	Canada HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2017							
Revenue from external parties from continuing operations	**2,031,108**	**168,390**	**163,800**	**277,813**	**16,710**	**72,013**	**2,729,834**
Non-current assets	**529,985**	**6,701**	**–**	**–**	**–**	**–**	**536,686**
Year ended 31 December 2016							
Revenue from external parties from continuing operations (restated)	2,336,488	130,094	18,899	275,543	25,104	68,555	2,854,683
Non-current assets	558,654	6,490	175,237	–	–	–	740,381

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.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, renovation income from interior decoration and renovation business, dividend income from an equity investment, interest income from held-to-maturity investments, distribution from an available-for-sale 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 from continuing operations is as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Revenue		
Retailing of casual wear	**1,608,612**	1,931,260
Export of apparel and other businesses	**535,884**	345,693
Interior decoration and renovation income	**460,571**	473,245
Dividend income from an listed equity investment at fair value through profit or loss	**575**	561
Interest income from held-to-maturity investments	**95,431**	102,447
Distribution from an available-for-sale investment	**26,144**	–
Fair value gain on listed equity investment at fair value through profit or loss, net	**2,617**	1,477
	2,729,834	2,854,683
Other income		
Bank interest income	**5,930**	4,537
Services fee income	**18,219**	18,713
Other sales income	**3,152**	1,292
Gross rental income	**13,403**	12,160
Commission and management fee income	**3,871**	4,120
Claims received	**9,379**	6,067
Royalty income	**6,401**	6,191
Income received on early redemption of held-to-maturity investments	**20,594**	–
Others	**42,426**	35,115
	123,375	88,195
Gains		
Net gains on disposal of items of property, plant and equipment	**29,667**	47,715
Fair value gains on investment properties, net (note 15)	**7,445**	20,470
Foreign exchange difference, net	**6,066**	–
	43,178	68,185
	166,553	156,380

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6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Interest on bank loans	**11,490**	9,049

7. PROFIT BEFORE TAX

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

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Employee benefit expenses (including directors' remuneration (note 8)):			
Wages and salaries		**379,774**	433,507
Equity-settled share option expense	33	**9**	(47)
Pension scheme contributions		**19,368**	22,433
Termination benefits		**6,541**	13,671
Total employee benefit expenses		**405,692**	469,564
Cost of inventories sold		**1,814,047**	1,891,459
Depreciation		**30,381**	45,868
Amortisation of prepaid land lease payments	16	**164**	161
Minimum lease payments under operating leases		**198,924**	256,779
Auditor's remuneration		**4,814**	4,994
Foreign exchange differences, net#		**(6,066)**	1,894
Impairment of items of property, plant and equipment#		**13,955**	166
Revaluation deficit on items of property, plant and equipment#	14	**5,565**	–
Provision for inventories*		**30,624**	47,555
Direct operating expense (including repairs and maintenance arising from rental-earning investment properties)		**5,963**	5,687
Impairment/(reversal of impairment) of trade receivables, net#	24	**7,674**	(2,807)

* Provision for inventories of approximately HK$30,624,000 (2016 (Restated): HK$47,555,000) 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.

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:

	2017 HK$'000	2016 HK$'000
Fees	**570**	570
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**8,204**	8,347
Discretionary bonuses*	**4,627**	6,075
Pension scheme contributions	**313**	301
	13,144	14,723
	13,714	15,293

* 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:

	2017 HK$'000	2016 HK$'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 (2016: Nil).

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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
2017					
Executive directors:					
Dr. Charles Yeung, GBS, JP	**–**	**26**	**609**	**1**	**636**
Mr. Yeung Chun Fan	**–**	**1,366**	**1,569**	**59**	**2,994**
Mr. Pau Sze Kee, Jackson	**–**	**2,784**	**1,246**	**112**	**4,142**
Mr. Hui Chung Shing, Herman, SBS, MH, JP	**–**	**1,200**	**447**	**60**	**1,707**
Ms. Cheung Wai Yee	**–**	**1,250**	**466**	**63**	**1,779**
Mr. Chan Wing Kan, Archie	**–**	**1,200**	**200**	**–**	**1,400**
Ms. Yeung Yin Chi, Jennifer	**–**	**378**	**90**	**18**	**486**
	–	**8,204**	**4,627**	**313**	**13,144**
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

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

Ms. Yeung Yin Chi, Jennifer was appointed as a 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 (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2016: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2016: two) non-director, highest paid employees are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	4,676	6,384
Discretionary bonuses	1,555	1,536
Pension scheme contributions	192	223
	6,423	8,143

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

	Number of employees	
	2017	2016
HK$2,500,001 - HK$3,000,000	1	–
HK$3,500,001 - HK$4,000,000	1	1
HK$4,000,001 - HK$4,500,000	–	1
	2	2

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10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 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% on the taxable income.

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

	2017	2016
	HK$'000	HK$'000
		(Restated)
Current – Hong Kong		
Charge for the year	**13,138**	16,828
Underprovision/(overprovision) in prior years	**2,142**	(12,264)
Current – Elsewhere		
Charge for the year	**18,348**	10,773
Overprovision in prior years	**(17,819)**	(27,533)
Deferred	**(2,156)**	(3,809)
Total tax charge/(credit) for the year from continuing operations	**13,653**	(16,005)
Total tax credit for the year from a discontinued operation	**(1,769)**	(24,818)
	11,884	(40,823)

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:

	2017 **HK$'000**	2016 HK$'000 (Restated)
Profit before tax from continuing operations	**101,551**	131,053
Profit/(loss) before tax from a discontinued operation	**2,017**	(80,125)
	103,568	50,928
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**21,833**	1,791
Adjustments in respect of current tax of previous periods	**(15,677)**	(39,951)
Profits and losses attributable to associates	**–**	(982)
Income not subject to tax	**(14,628)**	(13,261)
Expenses not deductible for tax	**11,646**	14,189
Tax losses utilised from previous periods	**(48,472)**	(42,466)
Tax losses not recognised	**55,308**	42,839
Others	**1,874**	(2,982)
Tax charge/(credit) at the Group's effective rate	**11,884**	(40,823)
Tax charge/(credit) from continuing operations at the effective rate	**13,653**	(16,005)
Tax credit from a discontinued operation at the effective rate	**(1,769)**	(24,818)
	11,884	(40,823)

No share of tax attributable for the year ended 31 December 2017 (2016: share of tax credit of HK$1,156,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

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11. DISCONTINUED OPERATION

On 6 April 2017, Jeanswest (BVI) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company owned by Mr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, for the disposal of the entire issued share of Jeanswest International (L) Limited (together with its subsidiaries referred to as the "JWIL Group") and related shareholders' loan (the "Disposal") in the amount of HK$174,000,000, at a cash consideration of HK$220,000,000. The disposed business consists of the retailing of casual wear. The transaction was completed on 1 July 2017. Upon completion of the Disposal, the principal retail business of the Group ceased its operation in Australasia. As the disposed business is considered as a separate major geographic area of operation, the corresponding operation in Australasia has been classified as a discontinued operation as a result of the Disposal. Details of the transaction are set out in the Company's announcement dated 6 April 2017 and circular dated 12 May 2017.

The results of the JWIL Group for the period/year operation are presented below:

	Period from 1 January 2017 up to the date of completion HK$'000	Year ended 31 December 2016 HK$'000
Revenue	**453,264**	955,056
Other income and gains	**7,985**	5,048
Expenses and costs	**(481,976)**	(1,040,229)
Loss before tax from the discontinued operation	**(20,727)**	(80,125)
Income tax credit	**1,769**	24,818
Loss for the period/year	**(18,958)**	(55,307)
Gain on disposal of a discontinued operation*	**22,744**	–
Profit/(loss) for the period/year from the discontinued operation	**3,786**	(55,307)

11. DISCONTINUED OPERATION *(CONTINUED)*

* Gain on disposal of a discontinued operation comprised the following:

	2017 **HK$'000**	2016 HK$'000
Gain on disposal in respect of the net assets disposed of	**74,333**	–
Exchange fluctuation reserve realised	**(49,557)**	–
Less: direct costs and tax	**(2,032)**	–
Gain on disposal of a discontinued operation	**22,744**	–

The net cash flows of the JWIL Group up to the date of disposal are as follows:

	2017 **HK$'000**	2016 HK$'000
Operating activities	**(51,744)**	18,943
Investing activities	**(14,431)**	(54,402)
Financing activities	**25,261**	42,421
Net cash inflow/(outflow)	**(40,914)**	6,962
	HK cents	HK cents
Basic and diluted earnings/(loss) per share from the discontinued operation	**0.25**	(3.94)

The calculations of basic and diluted earnings/(loss) per share from the discontinued operation are based on:

	2017	2016
Profit/(loss) attributable to shareholders of the parent from the discontinued operation (HK$'000)	**3,786**	(55,307)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation ('000) (note 13)	**1,536,084**	1,404,291

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12. DIVIDENDS

	2017 **HK$'000**	2016 HK$'000
Interim – HK2.50 cents (2016: HK2.50 cents) per ordinary share	**38,402**	38,402
Proposed final – HK3.20 cents (2016: HK3.20 cents) per ordinary share	**49,155**	49,155
	87,557	87,557

The final dividend for the year end 31 December 2017 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.

13. 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$88,669,000 (2016: HK$88,320,000) and the weighted average number of ordinary shares of 1,536,084,000 (2016: 1,404,291,000) 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 have been adjusted to reflect the bonus element of the rights issue during the year ended 31 December 2016.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2017 and 2016 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.

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

The calculation of basic earnings per share is based on:

	2017	2016
	HK$'000	HK$'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation		
From continuing operations	**84,883**	143,627
From a discontinued operation	**3,786**	(55,307)
	88,669	88,320

	Number of shares	
	2017	2016
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,536,084**	1,404,291

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14. PROPERTY, PLANT AND EQUIPMENT

	Notes	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 2017							
At 31 December 2016 and at 1 January 2017:							
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
At 1 January 2017, net of accumulated depreciation and impairment		268,847	37,117	40,980	130,090	3,760	480,794
Additions		108	19,237	4,160	15,350	2,461	41,316
Disposals/write-off		(29,011)	(8,505)	(95)	(2,334)	(868)	(40,813)
Disposal of a subsidiary	36	–	–	(34,433)	(103,803)	(894)	(139,130)
Depreciation		(8,714)	(12,872)	(6,017)	(26,290)	(1,171)	(55,064)
Impairment		(12,070)	(1,355)	–	–	–	(13,425)
Revaluation deficit		(5,565)	–	–	–	–	(5,565)
Transferred to investment properties	15	(14,491)	–	–	–	–	(14,491)
Exchange realignment		12,300	2,026	2,287	7,048	144	23,805
At 31 December 2017, net of accumulated depreciation and impairment		211,404	35,648	6,882	20,061	3,432	277,427
At 31 December 2017:							
Cost		301,506	149,469	65,331	113,031	20,480	649,817
Accumulated depreciation and impairment		(90,102)	(113,821)	(58,449)	(92,970)	(17,048)	(372,390)
Net carrying amount		211,404	35,648	6,882	20,061	3,432	277,427

NOTES TO FINANCIAL STATEMENTS

31 December 2017

14. 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 2016							
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	15	(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

For the year ended 31 December 2017, the directors considered that certain items of property, plant and equipment of the Group were subject to impairment losses because of the decrease in fair value of certain properties for retail operation and planned closure of certain stores, which had suffered losses in recent years. The directors considered those items of property, plant and equipment have been impaired or have minimal use in future and, accordingly, impairment losses of HK$13,425,000 (2016: HK$6,346,000) were recognised after an impairment assessment carried out by management.

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15. INVESTMENT PROPERTIES

	Notes	**2017 HK$'000**	2016 HK$'000
Carrying amount at 1 January		**220,250**	161,694
Transfer from owner-occupied properties	14	**14,491**	47,273
Net gain from a fair value adjustment	5	**7,445**	20,470
Exchange realignment		**12,137**	(9,187)
Carrying amount at 31 December		**254,323**	220,250

The Group's investment properties consist of 33 commercial (2016: 32) and 1 industrial properties (2016: 1) 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 39 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 page 166.

15. 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 2017

	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
Recurring fair value measurement for:				
Commercial properties	–	–	228,215	228,215
Industrial property	–	–	26,108	26,108
	–	–	254,323	254,323

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
Recurring fair value measurement for:				
Commercial properties	–	–	195,557	195,557
Industrial property	–	–	24,693	24,693
	–	–	220,250	220,250

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 (2016: Nil).

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15. 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	Total HK'000
Carrying amount at 1 January 2016	161,694	–	161,694
Transfer from owner-occupied properties	23,546	23,727	47,273
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	19,504	966	20,470
Exchange realignment	(9,187)	–	(9,187)
Carrying amount at 31 December 2016 and 1 January 2017	**195,557**	**24,693**	**220,250**
Transfer from owner-occupied properties	**14,491**	**–**	**14,491**
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	**7,364**	**81**	**7,445**
Exchange realignment	**10,803**	**1,334**	**12,137**
Carrying amount at 31 December 2017	**228,215**	**26,108**	**254,323**

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

	Valuation techniques	Significant unobservable inputs	Range 2017	2016
Commercial properties	Income capitalisation method	Estimated monthly rental value per square metre	**RMB60 to RMB814**	RMB59 to RMB764
		Capitalisation rate	**5.0% to 5.5%**	5.0% to 5.5%
Industrial property	Income capitalisation method	Estimated monthly rental value per square metre	**RMB15**	RMB15
		Capitalisation rate	**8.0%**	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.

16. PREPAID LAND LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January	**5,006**	5,477
Recognised during the year	**(164)**	(161)
Exchange realignment	**264**	(310)
Carrying amount at 31 December	**5,106**	5,006
Current portion included in prepayments, deposits and other receivables	**(170)**	(161)
Non-current portion	**4,936**	4,845

17. GOODWILL

	2017 HK$'000	2016 HK$'000
At 1 January:		
Cost	**40,004**	40,004
Accumulated impairment	**(5,512)**	(5,512)
Net carrying amount	**34,492**	34,492
Cost at 1 January, net of accumulated impairment	**34,492**	34,492
Disposal of a subsidiary (note 36)	**(37,096)**	–
Exchange realignment	**2,604**	–
Net carrying amount at 31 December	**–**	34,492
At 31 December:		
Cost	**–**	40,004
Accumulated impairment	**–**	(5,512)
Net carrying amount	**–**	34,492

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17. GOODWILL *(CONTINUED)*

Impairment testing of goodwill

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

In 2016, the recoverable amount of the New Zealand's retail operations cash-generating unit had 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 was 13.0% and cash flows beyond the five-year period were extrapolated using a growth rate of 2.0%. Senior management believed that this growth rate is justified, based on the Group's past experience in the retail operations in New Zealand.

Assumptions were used in the value in use calculation of the retail operations cash-generating unit for 31 December 2016. The following describes each key assumption on which management had 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 was 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 was 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 were consistent with external information sources.

The New Zealand's operation was disposed of as part of the Disposal during the year ended 31 December 2017. Further details are included in notes 11 and 36 to the financial statements.

18. INVESTMENTS IN ASSOCIATES

	Notes	2017 HK$'000	2016 HK$'000
Share of net assets	(d)	**–**	–
Loans to an associate	(b)	**56,375**	56,375
		56,375	56,375
Provision for impairment of loans to associates		**(56,375)**	(56,375)
		–	–

Notes:

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

Name	Particulars of issued shares held	Place of incorporation or registration/ business	Percentage of ownership interest attributable to the Group 2017	2016	Principal activity
Quiksilver Glorious Sun JV Limited ("Quiksilver GS")	Ordinary shares of HK$10,000	Hong Kong	**50**	50	Retail of apparel

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

(b) The loans to an associate and other balances with associates 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 interests 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$15,533,000 (2016: HK$33,784,000) and HK$92,285,000 (2016: HK$76,752,000), respectively.

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

Due to the downsizing of business and share of losses of the Quiksilver GS Group exceeded the Group's interests therein, during the year ended 31 December 2017, the directors of the Company considered that the Quiksilver GS Group was no longer a material associate of the Group and did not disclose its financial information for the current year accordingly.

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18. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

Notes: (continued)

(d) *(continued)*

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

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

19. HELD-TO-MATURITY INVESTMENTS

	2017 **HK$'000**	2016 HK$'000
Listed debt investments, at amortised cost	**1,313,391**	1,296,428
Less: current portion	**(361,877)**	(203,181)
Non-current portion	**951,514**	1,093,247

In 2017, the effective interest rates of the held-to-maturity investments ranged from 5.11% to 11.36% (2016: 7.32% to 11.36%) per annum and these investments will mature in years from 2018 to 2023.

In December 2017, the Group was informed that one of the listed debt investments with a carrying amount of HK$229 million will be early redeemed in January 2018. Further, the Group has one debt investment with carrying amount of HK$133 million will mature in May 2018. Accordingly, these listed debt investments were re-classified to current assets as at 31 December 2017.

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20. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2017 HK$'000	2016 HK$'000
Unlisted equity investment, at cost less impairment	(i)	**11,976**	11,364
Listed perpetual security, at market value	(ii)	**805,199**	–
		817,175	11,364

(i) 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.

(ii) During the year, the gross gain in respect of the Group's listed perpetual security, which is stated at market value, was recognised in other comprehensive income amounting to HK$15.5 million.

The above investments consist of a listed perpetual security which was designated as an available-for-sale financial asset and has no fixed maturity date or coupon rate.

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

	2017 HK$'000	2016 HK$'000
Listed equity investment, at market value	**–**	9,243

22. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**8,218**	12,190
Work in progress	**84,498**	6,960
Finished goods	**259,922**	457,207
	352,638	476,357

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23. INTERIOR DECORATION AND RENOVATION CONTRACTS

	2017 HK$'000	2016 HK$'000
Gross amounts due from contract customers	**18,241**	23,461
Gross amounts due to contract customers	**(24,842)**	(24,535)
	(6,601)	(1,074)
Contract costs incurred plus recognised profits less recognised losses to date	**98,180**	136,483
Less: Progress billings	**(104,781)**	(137,557)
	(6,601)	(1,074)

24. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**341,562**	335,147
Impairment	**(13,277)**	(5,402)
	328,285	329,745

The Group generally grants a credit period of 45 days to customers for its retail business and 3 months to 2 years to customers for interior decoration and renovation business. 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.

24. TRADE RECEIVABLES *(CONTINUED)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2017 HK$'000	2016 HK$'000
Less than 4 months	**292,126**	298,161
4 to 6 months	**14,972**	17,549
Over 6 months	**21,187**	14,035
	328,285	329,745

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

	2017 HK$'000	2016 HK$'000
At 1 January	**5,402**	8,368
Impairment losses recognised/(reversed) (note 7)	**7,674**	(2,807)
Exchange realignment	**201**	(159)
At 31 December	**13,277**	5,402

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$13,277,000 (2016: HK$5,402,000) with a carrying amount before provision of HK$13,277,000 (2016: HK$5,402,000).

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

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**256,986**	261,074
Less than 6 months past due	**55,659**	54,636
Over 6 months past due	**15,640**	14,035
	328,285	329,745

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24. TRADE RECEIVABLES *(CONTINUED)*

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.

Receivables that were past due but not impaired relate to a number of independent customers that have good repayment records 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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Prepayments	**115,792**	105,713
Deposits and other receivables	**220,242**	167,465
Total prepayments, deposits and other receivables	**336,034**	273,178
Portion classified as non-current portion	**(5,259)**	(14,511)
Current portion	**330,775**	258,667

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.

Other receivables included a loan granted to a franchisee of RMB23,000,000 (equivalent to approximately HK$27,550,000) which is unsecured, interest-bearing at 5.66% and repayable within one year.

26. 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 2017 HK$'000**	Maximum amount outstanding during the year HK$'000	Balance at 31 December 2016 and 1 January 2017 HK$'000	Maximum amount outstanding during the prior year HK$'000	Balance at 1 January 2016 HK$'000
G. S. Property Management Limited	**720**	972	399	732	408
Golden Sunshine Enterprises Limited	**149**	149	1	11	2
Harbour Guide Limited	**–**	146	146	146	42
Gloryear Management Limited	**1,877**	7,456	7,456	12,697	717
Rank Profit Industries Limited	**670**	2,807	948	1,005	269
Huizhou Xin An Garment Mfy. Company Limited (惠州新安製衣廠有限公司)#	**–**	–	–	–	92
Gennon Enterprises Limited	**2**	2	2	5	4
Gennon International Trading (H.K.) Limited	**1**	1	–	1	1
The Glorious Sun Holdings Limited	**583**	7,159	6,913	7,531	–
Glory Star Investments Limited	**5,547**	17,073	13,929	14,024	–
Jeanswest Corporation Pty. Ltd.	**16,472**	16,955	–	–	–
Jeanswest Corporation (New Zealand) Limited	**1,397**	1,929	–	–	–
	27,418		29,794		1,535

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

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

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

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27. CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**670,462**	732,645
Time deposits	**300,669**	121,666
	971,131	854,311

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$431,102,000 (2016: HK$367,924,000). 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 deposits are deposited with creditworthy banks with no recent history of default.

28. TRADE AND BILLS PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**413,834**	525,132
Bills payable	**36,450**	396
	450,284	525,528

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

	2017 HK$'000	2016 HK$'000
Less than 4 months	**447,731**	523,212
4 to 6 months	**102**	528
Over 6 months	**2,451**	1,788
	450,284	525,528

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

29. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Other payables	**93,356**	121,896
Accruals	**478,546**	397,239
	571,902	519,135

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

As at 31 December 2017, included in the other payables are amounts due to other related companies of approximately HK$1,221,000 (2016: HK$625,000). As at 31 December 2016, dividend payable to the non-controlling shareholders of approximately HK$1,989,000 which were unsecured, interest-free and have no fixed terms of repayment have been included in the other payables balance.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Other loan – unsecured	**–**	**–**	**–**	6.84	2017	6,723
Bank loans – unsecured	**1.94 – 2.52**	**On demand or 2018**	**991,847**	1.51 – 5.00	On demand or 2017	419,116
			991,847			425,839

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**991,847**	419,116
Other borrowing repayable:		
Within one year or on demand	**–**	6,723
	991,847	425,839

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

Notes:

(a) Certain of the Group's bank loans in the prior year were 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.

(b) All of the Group's bank borrowings were denominated in USD as at 31 December 2017. As at 31 December 2016, except for certain bank and other borrowings with aggregate amounts of approximately HK$27,273,000, HK$63,223,000 and HK$299,538,000 which were denominated in RMB, Australian dollars ("AUD") and USD, respectively, all of the Group's bank and other borrowings were denominated in HK$.

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 a listed equity investment at fair value through profit or loss		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**20,629**	33,311	**19,211**	10,573	**244**	–	**40,084**	43,884
Deferred tax charged/(credited) to the statement of profit or loss during the year	**(1,127)**	(10,799)	**2,900**	6,746	**(244)**	244	**1,529**	(3,809)
Deferred tax charged to other comprehensive income during the year	**–**	–	**–**	2,493	**–**	–	**–**	2,493
Exchange realignment	**1,062**	(1,883)	**1,140**	(601)	**–**	–	**2,202**	(2,484)
Gross deferred tax liabilities at 31 December	**20,564**	20,629	**23,251**	19,211	**–**	244	**43,815**	40,084

31. DEFERRED TAX *(CONTINUED)*

Deferred tax assets

	Provisions		Losses available for offsetting taxable profits		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**30,185**	28,945	**32,111**	8,630	**62,296**	37,575
Deferred tax credited/(charged) to the statement of profit or loss during the year	**1,914**	1,240	**3,539**	23,481	**5,453**	24,721
Disposal of a subsidiary (note 36)	**(31,996)**	–	**(36,011)**	–	**(68,007)**	–
Exchange realignment	**1,859**	–	**2,131**	–	**3,990**	–
Gross deferred tax assets at 31 December	**1,962**	30,185	**1,770**	32,111	**3,732**	62,296

The Group has tax losses arising in Hong Kong of HK$33,888,000 (2016: HK$68,668,000), 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 2017, 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$253,769,000 at 31 December 2017 (2016: HK$239,868,000).

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 2017 '000	2016 '000	2017 HK$'000	2016 HK$'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**	1,536,084	**153,609**	153,609

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 2016	1,024,056	102,406	332,114	434,520
Rights issue	512,028	51,203	409,622	460,825
Rights issue expenses	–	–	(2,096)	(2,096)
At 31 December 2016, 1 January 2017 and at 31 December 2017	**1,536,084**	**153,609**	**739,640**	**893,249**

Note:

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.

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.

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 is determinable by the directors, and commences after a certain vesting period and ends 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 price 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.

33. SHARE OPTION SCHEME *(CONTINUED)*

(a) Old Scheme *(continued)*

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

	2017		2016	
	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	**1.8099**	**12,414**	1.9730	43,270
Lapsed during the year	**1.8099**	**(10,858)**	2.0156	(30,898)
Adjusted upon rights issue	**–**	**–**	–	380
Cancelled during the year	**–**	**–**	1.8099	(338)
At 31 December	**1.8099**	**1,556**	1.8099	12,414

There were no share options granted or exercised under the Old Scheme for the years ended 31 December 2017 and 2016.

33. SHARE OPTION SCHEME *(CONTINUED)*

(a) Old Scheme *(continued)*

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

	Number of shares subject to options					Share options			
		During the year							
Category of participant	At 1 January 2017 '000	Granted '000	Exercised '000	Lapsed or cancelled '000	At 31 December 2017 '000	Date of grant	Fully vested by	Exercise period	Subscription price* HK$ per share
Employees in aggregate	338	–	–	–	338	20/2/2014***	1/4/2015	1/4/2017 to 19/2/2024	1.8099
	6,902	–	–	(6,902)	–	20/2/2014***	1/4/2017	1/4/2019 to 19/2/2024	1.8099
	3,348	–	–	(2,739)	609	20/2/2014***	1/4/2018	1/4/2020 to 19/2/2024	1.8099
	1,826	–	–	(1,217)	609	20/2/2014***	1/4/2019**	1/4/2021 to 19/2/2024	1.8099
	12,414	–	–	(10,858)	1,556				

* (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 2017 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 is determinable by the directors, and commences after a certain vesting period and ends 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 was is 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 price 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 for the years ended 31 December 2017 and 2016. 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 share option expense of approximately HK$9,000 during the year ended 31 December 2017. During the year ended 31 December 2016, the Group recognised a reversal of share option expense of HK$47,000.

At the end of the reporting period, the Company had 1,555,075 (2016: 12,413,215) 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 1,555,075 (2016: 12,413,215) additional ordinary shares of the Company, and additional share capital of HK$155,508 (2016: HK$1,241,322) and share premium of HK$2,659,023 (2016: HK$21,225,356) (before issue expenses).

At the date of approval of these financial statements, the Company had 1,555,075 share options outstanding under the Schemes, which represented approximately 0.10% of the Company's shares in issue as at that date.

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.

(v) Treasury shares

The Company did not repurchase any of its own ordinary shares on the Stock Exchange during the year ended 31 December 2017.

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

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

Shijiazhuang Changhong and its subsidiaries

	2017	2016
Percentage of equity interest held by non-controlling interests	**35.0%**	35.0%

	2017 HK$'000	2016 HK$'000
Profit for the year allocated to non-controlling interests	**3,262**	3,728
Dividends payable/paid to non-controlling interests	**2,225**	1,989
Accumulated balances of non-controlling interests at the reporting dates	**22,566**	15,055

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

	2017 HK$'000	2016 HK$'000
Revenue	**474,336**	356,574
Total expenses	**(467,116)**	(346,800)
Profit for the year	**9,319**	10,475
Total comprehensive income for the year	**9,347**	7,280
Current assets	**292,252**	313,913
Non-current assets	**27,110**	23,423
Current liabilities	**(257,451)**	(259,370)
Net cash flows from operating activities	**42,855**	36,629
Net cash flows used in investing activities	**(2,230)**	(1,059)
Net cash flows used in financing activities	**(42,030)**	(2,053)
Net increase/(decrease) in cash and cash equivalents	**(1,405)**	33,517

36. DISPOSAL OF A SUBSIDIARY

The major classes of assets and liabilities of the JWIL Group as at 1 July 2017, the disposal date, were as follows:

	2017 HK$'000
Net liabilities disposed of:	
Property, plant and equipment	139,130
Goodwill	37,096
Deferred tax assets	68,007
Inventories	158,238
Trade receivables	6,906
Prepayments, deposits and other receivables	9,753
Cash and bank balances	40,480
Tax payable	727
Trade payables	(50,140)
Other payables and accruals	(164,395)
Interest-bearing bank and other borrowings	(92,400)
Amount due to related companies	(7,735)
Shareholders' loan	(174,000)
	(28,333)
Release of exchange fluctuation reserve upon disposal	49,557
Direct costs and tax attributable to the disposal of the JWIL Group	2,032
Gain on disposal of the discontinued operation	22,744
Repayment of shareholders' loan	174,000
	220,000
Satisfied by:	
Cash consideration	220,000

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36. DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of JWIL Group is as follows:

	2017
	HK$'000
Cash consideration	**220,000**
Cash and cash equivalents disposed of	**(40,480)**
Direct costs and tax attributable to the disposal of the JWIL Group	**(2,032)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**177,488**

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	
	2017	2016
	HK$'000	HK$'000
At beginning of the year	**425,839**	228,680
New bank borrowings made during the year	**6,850,022**	926,731
Repayment during the year	**(6,197,001)**	(728,545)
Disposal of a subsidiary	**(92,400)**	–
Exchange realignment	**5,387**	(1,027)
At end of the year	**991,847**	425,839

38. CONTINGENT LIABILITIES

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 (2016: 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.

The 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.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) and some other properties under operating lease arrangements, with leases negotiated for terms ranging from two to nine 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:

	2017 **HK$'000**	2016 HK$'000
Within one year	**12,207**	10,889
In the second to fifth years, inclusive	**22,684**	22,694
After five years	**4,094**	5,827
	38,985	39,410

NOTES TO FINANCIAL STATEMENTS

31 December 2017

39. OPERATING LEASE ARRANGEMENTS *(CONTINUED)*

(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:

	2017	2016
	HK$'000	HK$'000
Within one year	**60,930**	239,597
In the second to fifth years, inclusive	**52,746**	338,496
After five years	**1,563**	14,177
	115,239	592,270

40. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	2017	2016
	HK$'000	HK$'000
Contracted, but not provided for:		
Leasehold improvements	**1,265**	379

41. 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:

	Notes	Group **2017** **HK$'000**	 2016 HK$'000
Purchases of goods from an associate	(i)	**–**	4,626
Sales of accessories and apparel to companies controlled by certain directors of the Company	(ii)	**142,062**	–
Service fee income related to sales of accessories and apparel to companies controlled by certain directors of the Company	(iii)	**1,032**	–
Rental expenses paid to companies controlled by certain directors of the Company	(iv)	**14,082**	19,888
Rental expenses paid to sons of a director of the Company	(iv)	**8,188**	8,073
Management fees paid to companies controlled by certain directors of the Company	(v)	**1,009**	1,903
Design and management fees paid to companies controlled by certain directors of the Company	(vi)	**5,820**	–

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 sales of accessories and apparel 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 service fee income related to sales of accessories and apparel 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.

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

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

(vi) The design and management fees were charged 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Other transactions with related parties:

Disposal of properties

On 7 September 2017, the Group entered into disposal agreements to dispose of two properties located at Chongqing Province and Jilin Province to 惠州旭興置業有限公司 (Huizhou Xuxing Property Company Limited, "Huizhou Xuxing"), which the ultimate beneficial owners were Mr. Charles Yeung and Mr. Yeung Chun Fan, for a total consideration of RMB59 million (approximately to HK$68 million). The considerations were determined after arm's length negotiations between the Group and Huizhou Xuxing with reference to the property valuations conducted by an independent property valuer.

All the cash proceeds for the disposals were fully received during the year by the Group and the Group recognised a gain on disposal of properties before tax in profit or loss amounting to HK$34 million upon the completion of the disposals in November 2017.

Disposal of a subsidiary

As set out in notes 11 and 36, on 6 April 2017, the Group entered into a sale and purchase agreement with a company owned by Mr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, for the disposal of the entire issued share of the JWIL Group and a shareholders' loan at a total cash consideration of HK$220,000,000. The transaction was completed on 1 July 2017.

The cash proceeds for the disposals were fully received by the Group during the year and the Group recognised a gain on disposal in profit or loss amounting to HK$22,744,000 upon the completion of the disposal.

(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 41(a)(iv) to the financial statements. The Group expects the total rental expenses to related parties under these non-cancellable operating lease arrangements in 2018 and 2019 to be approximately HK$16,898,000 and HK$8,518,000, respectively.

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) Outstanding balances with related parties:

The Group had outstanding receivables from and payables to other related companies of approximately HK$27,418,000 (2016: HK$29,794,000) and approximately HK$1,221,000 (2016: HK$625,000), 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.

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

	2017 **HK$'000**	2016 HK$'000
Short term employee benefits	**21,990**	27,197
Post-employment benefits	**592**	684
Total compensation paid to key management personnel	**22,582**	27,881

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), (a)(v), a(vi) and (b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

42. 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:

2017

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	1,313,391	–	–	1,313,391
Available-for-sale investments	–	–	817,175	817,175
Trade receivables	–	328,285	–	328,285
Financial assets included in prepayments, deposits and other receivables	–	214,982	–	214,982
Due from an associate	–	1,309	–	1,309
Due from other related companies	–	27,418	–	27,418
Cash and cash equivalents	–	971,131	–	971,131
	1,313,391	1,543,125	817,175	3,673,691

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	450,284
Financial liabilities included in other payables and accruals	278,036
Due to an associate	21
Interest-bearing bank borrowings	991,847
	1,720,188

42. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

2016

Financial assets

	Financial asset 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 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 or 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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

43. 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	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Held-to-maturity investments	**1,313,391**	1,296,428	**1,348,325**	1,360,097

Management has assessed that the fair values of cash and cash equivalents, trade 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 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 2017 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 2017 and 2016.

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

43. 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 2017

	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**
Available-for-sale investment	**805,199**	**–**	**–**	**805,199**

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 (2016: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2017 and 31 December 2016.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

43. 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 2017

	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	**1,348,325**	**–**	**–**	**1,348,325**

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprised listed equity investment at fair value through profit or loss, held-to-maturity investments, available-for-sale investments, bank and other borrowings and cash and cash equivalents. 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 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.

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

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 2017 and 2016 would have decreased/increased the Group's profit before tax by HK$4,959,000 and HK$2,096,000, 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 2017 and 2016 would have increased/decreased the Group's profit before tax by HK$3,346,000 and HK$3,657,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

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. 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, available-for-sale investments, amounts due from an associate and other related companies, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

Credit risk *(continued)*

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 receivables are disclosed in note 24 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 receivables) and projected cash flows from operations.

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:

	2017			
	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	450,284	–	–	450,284
Financial liabilities included in other payables and accruals	278,036	–	–	278,036
Due to an associate	21	–	–	21
Interest-bearing bank borrowings	992,863	–	–	992,863
	1,721,204	–	–	1,721,204

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

Liquidity risk *(continued)*

	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

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 was exposed to equity price risk arising from its listed equity investment at fair value through profit or loss (note 21) as at 31 December 2016. The Group's listed investment was listed on the Stock Exchange and was valued at quoted market prices as at 31 December 2016.

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 2017	**High/low 2017**	31 December 2016	High/low 2016
Hong Kong – Hang Seng Index	**29,919**	**30,003/ 22,150**	22,000	24,100/ 18,320

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 as at 31 December 2016.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

Equity price risk *(continued)*

	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)

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 2017 and 2016.

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:

	2017 HK$'000	2016 HK$'000
Interest-bearing bank and other borrowings	**991,847**	425,839
Total shareholders' equity	**2,544,732**	2,454,782
Borrowings and total shareholders' equity	**3,536,579**	2,880,621
Gearing ratio	**28%**	15%

45. COMPARATIVE AMOUNTS

As further explained in note 4 and note 11 to the financial statements, the comparative consolidated statement of profit or loss has been re-presented as if the discontinued operation has been discontinued at the beginning of the comparative period. In addition, 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.

46. 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:

	2017 **HK$'000**	2016 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**377,786**	377,778
CURRENT ASSETS		
Amount due from a subsidiary	**1,108,709**	1,270,940
Other receivables	**–**	19
Cash and cash equivalents	**17,118**	50,187
Total current assets	**1,125,827**	1,321,146
CURRENT LIABILITIES		
Interest-bearing bank borrowings	**97,650**	319,538
Other payables	**334**	307
Total current liabilities	**97,984**	319,845
NET CURRENT ASSETS	**1,027,843**	1,001,301
Net assets	**1,405,629**	1,379,079
EQUITY		
Issued capital	**153,609**	153,609
Reserves (note)	**1,252,020**	1,225,470
Total equity	**1,405,629**	1,379,079

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

Note:

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

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 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 and 1 January 2017	**739,640**	**377,567**	**60**	**108,203**	**1,225,470**
Total comprehensive income for the year	**–**	**–**	**–**	**114,098**	**114,098**
Equity-settled share option arrangements	**–**	**–**	**9**	**–**	**9**
Final 2016 dividend	**–**	**–**	**–**	**(49,155)**	**(49,155)**
Interim 2017 dividend	**–**	**–**	**–**	**(38,402)**	**(38,402)**
At 31 December 2017	**739,640**	**377,567**	**69**	**134,744**	**1,252,020**

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.

47. EVENT AFTER THE REPORTING PERIOD

On 7 June 2017, the Group entered into a conditional share transfer agreement with an independent third party to acquire the entire equity interest of Honghill Asset Management Limited for a cash consideration of HK$5 million for future expansion in the financial investment operation. The acquisition was completed in the first quarter of 2018.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2018.

PARTICULARS OF PROPERTIES

31 December 2017

INVESTMENT PROPERTIES

Location	Use	Attributable interest of the Group
A Unit on Level 1 of No.69 Taiyuan North Street, Heping District, Shenyang, Liaoning Province, the People's Republic of China	Commercial	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	100%
Unit No. 1 on Level 1 of Ping Street, No. 218 Bayi Road, Yuzhong District, Chongqing, the People's Republic of China	Commercial	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	100%
Unit Nos. 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	100%
Retail 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	100%
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	100%
Retail Units 2153 to 2161 and Units 2296 to 2304 on Level 2 of Jinzhi Wanbo Mall, No. 16 Fushou Street, Er'qi District, Zhengzhou, Henan Province, the People's Republic of China	Commercial	100%
No.30-1, Huahai Road, Shenyang Economic and Technological Development Zone, Shenyang, Liaoning Province, the People's Republic of China	Industrial	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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
CONTINUING OPERATIONS					
REVENUE	**2,729,834**	2,854,683	3,627,967	4,874,594	5,660,197
Operating profit	**101,551**	125,101	42,784	180,433	69,046
Share of profits and losses of associates	**–**	5,952	6,033	7,460	15,804
Profit before tax	**101,551**	131,053	48,817	187,893	84,850
Income tax credit/(expense)	**(13,653)**	16,005	36,997	(36,971)	(41,305)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**87,898**	147,058	85,814	150,922	43,545
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**3,786**	(55,307)	7,921	(29,041)	73,385
Profit for the year	**91,684**	91,751	93,735	121,881	116,930
Attributable to:					
Ordinary equity holders of the Company	**88,669**	88,320	88,152	119,405	138,455
Non-controlling interests	**3,015**	3,431	5,583	2,476	(21,525)
	91,684	91,751	93,735	121,881	116,930

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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**4,706,040**	4,107,478	3,696,484	4,836,549	4,284,619
TOTAL LIABILITIES	**(2,149,057)**	(1,642,509)	(1,647,290)	(2,690,983)	(2,040,411)
NON-CONTROLLING INTERESTS	**(12,251)**	(10,187)	(9,356)	(11,336)	(11,748)
	2,544,732	2,454,782	2,039,838	2,134,230	2,232,460


Keep your
Emo-
tions in
Disney · PIXAR
collection by
Jeanswest