

Embry Holdings Limited
安莉芳控股有限公司



Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司

Stock Code 股份代號: 1388

2016
追求 卓越
Striving for
EXCELLENCE

Annual Report 年報





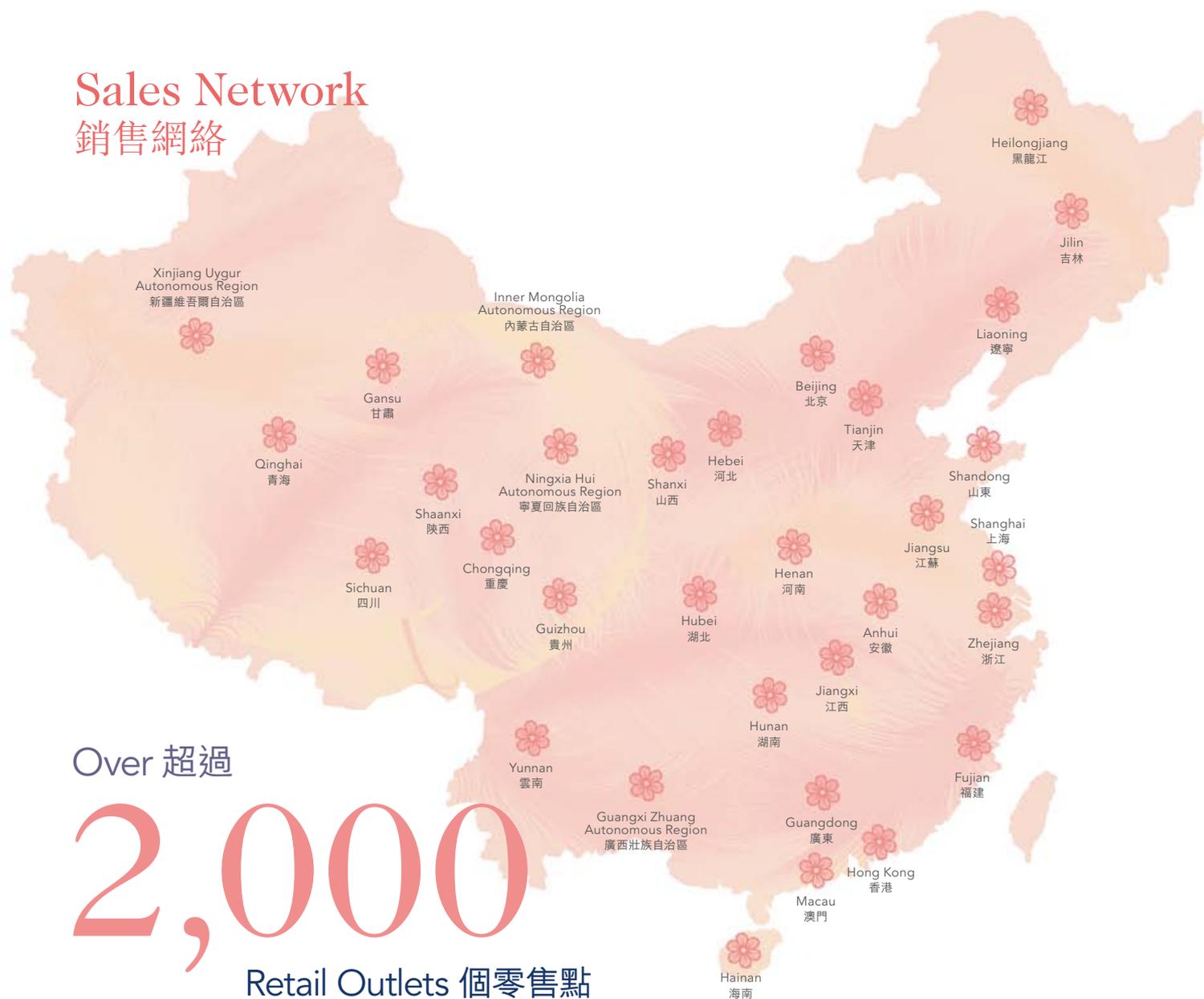
安莉芳 EMBRY

As a major lingerie brand owner and retailer in China, Embry has always strived to provide customers with stylish and comfortable products since its establishment forty years ago

作為中國主要的女性內衣品牌及零售企業，安莉芳成立四十年來，一直致力為消費者帶來時尚與舒適的產品



Sales Network 銷售網絡



An Extensive Network Capturing Growing Opportunities In China

The Group's sales points span the whole nation, with footprints in all major cities such as Beijing, Shanghai, Chongqing, Tianjin, Guangzhou, Hong Kong and Macau. Such an extensive network enables the Group to efficiently respond to customer needs and deepen its market penetration in China.

As at 31 December 2016, the Group had a total of 2,067 retail outlets, comprising 1,877 concessionary counters and 190 retail shops in Mainland China, Hong Kong and Macau.

龐大網絡 中國市場潛力無限

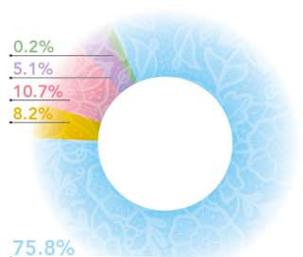
本集團的銷售點遍佈全國各地，覆蓋所有主要城市，如北京、上海、重慶、天津、廣州、香港及澳門。透過這個龐大的銷售網絡，本集團能迅速有效地回應消費者需要，進一步滲透中國市場。

截至二零一六年十二月三十一日止，本集團共有 2,067 個零售點，包括在中國大陸、香港及澳門 1,877 個百貨公司專櫃及 190 個零售商舖。

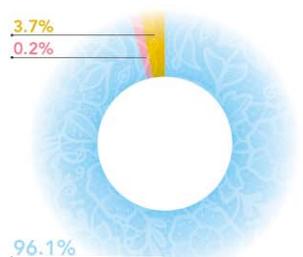
Financial Highlights

財務摘要

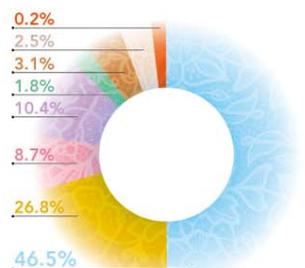
By Business Activities 按業務活動



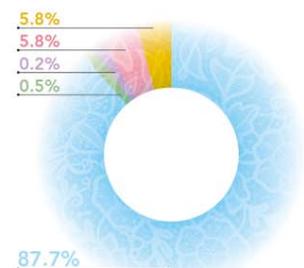
By Locations 按地區



By Brands 按品牌



By Products 按產品



	2016	2015
Concessionary Counters 銷售專櫃	75.8%	76.9%
Retail Stores 零售店舖	8.2%	7.8%
Wholesale 批發	10.7%	10.8%
Internet 網上銷售	5.1%	4.3%
Original Design Manufacturer ("ODM") 原設計製造商 ("ODM")	0.2%	0.2%

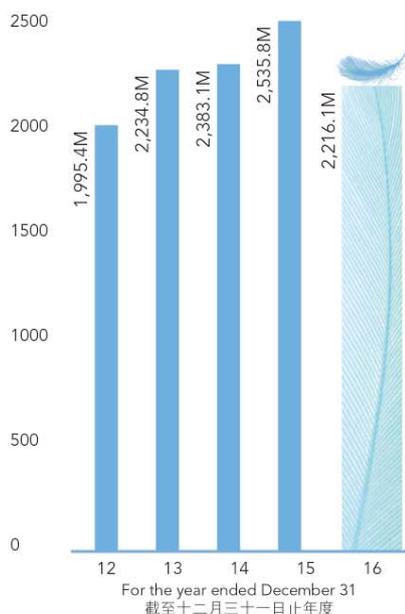
	2016	2015
Mainland China 中國大陸	96.1%	95.9%
Hong Kong 香港	3.7%	3.9%
Others 其他	0.2%	0.2%

	2016	2015
Embry Form 安莉芳	46.5%	46.1%
Fandecie 芬狄詩	26.8%	28.7%
Comfit	8.7%	7.9%
E-BAR	10.4%	11.1%
LIZA CHENG	1.8%	1.5%
IVU	3.1%	2.5%
Iadore 安朵	2.5%	2.0%
ODM Products and Others ODM產品及其他	0.2%	0.2%

	2016	2015
Lingerie 女性內衣	87.7%	88.4%
Sleepwear 睡衣	5.8%	5.1%
Swimwear 泳衣	5.8%	5.9%
ODM Products ODM產	0.2%	0.2%
Others Products 其他產品	0.5%	0.4%

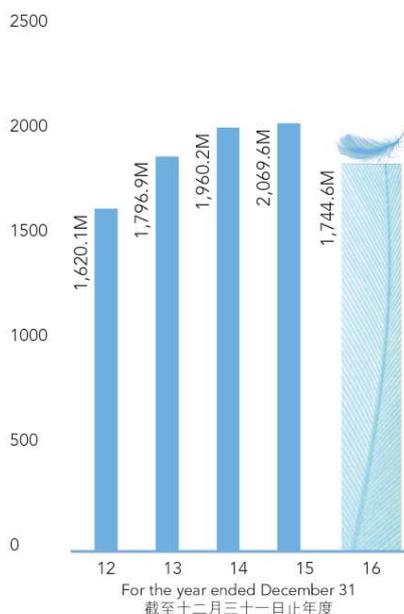
Revenue 收益

CAGR 2.7%
複合年增長率



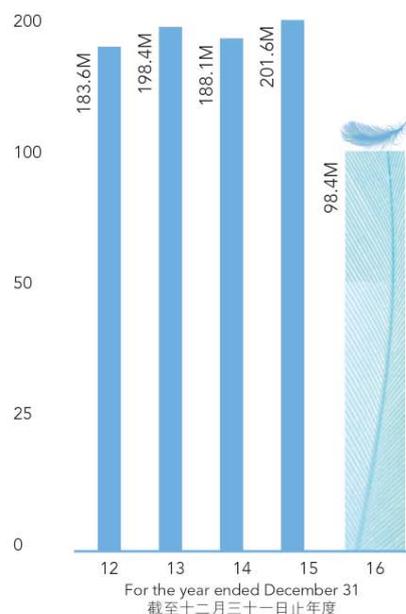
Gross Profit 毛利

CAGR 1.9%
複合年增長率



Profit for the Year Attributable to Owners of the Company 本公司擁有人應佔年度溢利

CAGR -14.4%
複合年增長率





Embry has a retail network of
安莉芳經營合共

2,067 outlets
個零售點

in more than 300 cities in China
銷售業務遍及全國逾300個城市





Contents

1	Corporate Information
3	Chairman's Statement
7	Management Discussion and Analysis
16	Awards
18	Directors and Senior Management
21	Environmental, Social and Governance Report 2016
43	Corporate Governance Report
55	Report of the Directors
117	Independent Auditor's Report
124	Consolidated Income Statement
125	Consolidated Statement of Comprehensive Income
126	Consolidated Statement of Financial Position
127	Consolidated Statement of Changes in Equity
128	Consolidated Statement of Cash Flows
130	Notes to Financial Statements

Corporate Information

Directors and Board Committees

Directors

Executive Directors

NGOK Ming Chu (*Chairman*)
 CHENG Pik Ho Liza
 (*Chief Executive Officer*)
 LU Qun

Independent Non-Executive Directors

LAU Siu Ki (alias, Kevin Lau)
 LEE Kwan Hung
 LEE T. S. (alias, Lee Tien-sheng)

Board Committees

Audit Committee

LAU Siu Ki (alias, Kevin Lau)
 (*Chairman*)
 LEE Kwan Hung
 LEE T. S. (alias, Lee Tien-sheng)

Remuneration Committee

LEE Kwan Hung (*Chairman*)
 CHENG Pik Ho Liza
 LAU Siu Ki (alias, Kevin Lau)
 LEE T. S. (alias, Lee Tien-sheng)

Nomination Committee

LEE T. S. (alias, Lee Tien-sheng)
 (*Chairman*)
 CHENG Pik Ho Liza
 LAU Siu Ki (alias, Kevin Lau)
 LEE Kwan Hung

Compliance Officer

CHENG Pik Ho Liza

Company Secretary

SO Ka Man

Registered Office

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

Head Office and Principal Place of Business

7th Floor, Wyler Centre II
 200 Tai Lin Pai Road
 Kwai Chung, New Territories
 Hong Kong

Principal Bankers

Hang Seng Bank Limited
 Hang Seng Bank (China) Limited
 Nanyang Commercial Bank, Limited
 The Hongkong and Shanghai
 Banking Corporation Limited
 HSBC Bank (China) Company
 Limited
 Bank of China Limited
 China Construction Bank
 Corporation
 China Merchants Bank Co., Ltd.

Legal Advisers

As to Hong Kong law:

Chiu & Partners

As to PRC law:

GFE Law Office
 Grandall Law Firm (Jinan)
 Zhong Lun Law Firm

Auditor

Ernst & Young
 22nd Floor, CITIC Tower
 1 Tim Mei Avenue, Central
 Hong Kong

Share Registrars

Principal Share Registrar and Transfer Office in the Cayman Islands

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

Branch Share Registrar and Transfer Office in Hong Kong

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

Investor Relations

iPR Ogilvy Limited

Website

www.embrygroup.com

Stock Code

1388

The background features a light blue lace pattern in the upper left corner, transitioning into a soft, warm-toned image of wheat stalks at the bottom. The overall aesthetic is elegant and natural.

Embry adopts a

Multi-Brand Strategy

and promotes its brands
actively to enhance brand equity

Fashion fairs and trade shows
were organised to showcase the
excellent craftsmanship of
Embry's products

Chairman's Statement



NGOK Ming Chu
Chairman of the Group

To All Shareholders,

It is my pleasure to present the audited annual results of Embry Holdings Limited for the year ended 31 December 2016 on behalf of the Board of Directors.

In 2016, the global political scene was full of uncertainties and turmoil, which exacerbated the volatility in the financial markets. Despite there were signs of economic recovery in Europe and America, the refugee crisis in Europe and the Brexit referendum brought disturbance to the market, affecting the investment sentiment. In the context of a further slowdown in China's overall economic growth and continued devaluation of the renminbi, consumer confidence was affected, with retail and consumer markets bearing the brunt. In 2016, even the total retail sales of social consumer goods maintain a 10.4% year-on-year increment, the growth rate decelerated by 0.3 percentage point, reflecting consumers' cautious attitude in face of an uncertain economic environment.

Chairman's Statement

Intensified competition in China's underwear retail industry, coupled with the slowdown in domestic economic growth and weak consumer sentiment, have limited the overall industry growth. However, ongoing urbanisation and rising income levels will support consumers' pursuit of better living quality, which will promote the long-term and healthy development of the underwear retail industry.

As a major brand operator in China's lingerie industry, Embry continued to respond to the changing market environment in a pragmatic approach. The Group adhered to the policy of flexible planning and prudent implementation in business development. It fully utilised its multi-brand strategy and continuously optimised its nationwide sales network to seize opportunities to drive business growth.

Brand building and development is the Group's key to its success in the industry. In spite of a challenging operating environment, the Group continued to take forward its multi-brand strategy and flexibly deploy its resources to manifest the brand's advantages and maintain the steady development of different brands.

The Group also addressed the needs of various market segments and enriched its brand portfolio to strengthen brand penetration and broaden its customer base. The Group continued to focus on cultivating its new brands **IADORE**, **E-BRA** and **IVU**, in order to acquire greater market share in their respective market segment and support the Group's long-term growth. The Group currently operates seven brands — **EMBRY FORM**, **FANDECIE**, **COMFIT**, **E-BRA**, **IADORE**, **IVU** and **LIZA CHENG**, targeting consumers of different age groups and spending power. During the year, against the backdrop of the challenging business environment, the Group's flagship brand **EMBRY FORM** recorded negative sales growth, while **IADORE** and **IVU** maintained positive growth momentum.

In face of the changes in China's economic structure and consumption patterns, the proportion of online retail consumption gradually increased. According to the National Bureau of Statistics of China, in 2016, the online retail sales of physical goods in the country reached RMB4.19 trillion, up 25.6% year-on-year, accounting for 12.6% of the total retail sales of social consumer goods. The Group strived to strengthen its online brand image, and properly adjusted the distribution of retail outlets by closing or relocating stores with low efficiency, to enhance the overall effectiveness of sales network and promote long-term sustainable development. During the year, the Group's net retail outlets decreased by 149 to 2,067 outlets at the end of December 2016. The Group's retail network covers more than 300 cities across China, and even reached third- and fourth-tier cities

In the year under review, revenue of the Group amounted to HK\$2,216,082,000, a decrease of 12.61% from the previous year. The warm winter in Southern China resulted in weaker retail sentiment, therefore the sales during the traditional peak season for retail industry in the second half of the year was not comparable to that of the previous year. Gross profit was approximately HK\$1,744,551,000, representing a decrease of 15.71% from the previous year. Profit attributable to owners of the Company amounted to HK\$98,402,000, net profit margin was 4.44%.

To thank our shareholders for their long-term support, the Board recommends the payment of a final dividend of HK4.30 cents per share and proposes a scrip dividend alternative to all shareholders.

Looking ahead, the global economic outlook remains uncertain. Uncertainties over the new US government's policies will bring turbulence to the market, which will continue to weigh on consumer confidence, and the retail industry will still remain cautious. China, as the world's second-largest economy, is entering the new normal phase of economic development where economic growth will be moderate. However, China is accelerating the marketisation reforms to optimise its economic structure, so as to give new impetus to the economy and promote its healthy development in the long term. The ongoing urbanisation will also lead to consumption growth and upgrade, which will make retail consumption a growth driver in China's economy in the long run.

Chairman's Statement

In 2017, the Group will continue to carry out its prudent and pragmatic development strategy by consolidating its existing business and devoting to research and development to turn challenges in the business environment into growth opportunities. The Group will accelerate the development of e-commerce and continue to promote **COMFIT, IVU, LIZA CHENG** and **E-BRA** in key and well-established department stores, and focus on opening points of sale in shopping centres.

The Group will cautiously plan its production and adjust capacity and inventory in response to market demand. It will also continue to optimise its sales network, and actively improve the overall operational efficiency. At the same time, the Group will continue to strengthen its patented designs and new product development in order to enhance the value of its products and meet different consumer needs. The Group will continue to promote modernisation of production to reduce manpower and achieve standardisation. The construction of the automated supply chain logistics facility comprising an intelligent warehouse in Jinan, Shandong Province was completed at the end of 2016, and it has begun trial run. The logistics facility will enhance the efficiency of the Group's supply chain, optimise its productivity and operational performance, thereby strengthening the Group's overall competitiveness in the industry.

I would like to take this opportunity to thank all of our employees for their efforts to overcome the challenges posed by the economic environment over the past year. I would also like to express my heartfelt gratitude to our shareholders for their long-term support, and appreciation of the Group's aspirations and development strategy. To thank our shareholders for their trust, we will strive to enhance the performance of Embry Group to the best of our ability, and create a brighter future with our shareholders, business partners and customers.

NGOK Ming Chu

Chairman

Hong Kong, 23 March 2017

The Group implements and reviews
business strategies from time to time in
a prudent manner to foster

long-term and steady business growth



Management Discussion and Analysis

Business and Operations Review

Looking back on 2016, substantial changes were observed in the international political and economic scene. Britain's referendum to leave the European Union and the outcome of the United States presidential election were beyond market expectations, triggering turbulences in the financial markets. During the year, Renminbi depreciated 6.6% against the US dollar, its biggest annual decline since 1994. The growth rate of the Chinese economy continued to slow down. According to China's National Bureau of Statistics, the country's gross domestic product grew by 6.7% to RMB74,412.7 billion in 2016. The growth rate was 0.2 percentage point lower compared to that of last year.



Faced with volatile macro-environment, coupled with increasing cost of living in China, consumer sentiment was hampered. Moreover, after the implementation of two-child policy, more household consumers tended to reduce personal spending, thus exerting pressure on the sales of less-essential consumer goods. To encourage consumer spending, retailers actively carried out more sales promotions. As a result, industry competition was intensified and profit margin was squeezed. Against the backdrop of a weak retail market, the Group recorded a decrease in the overall sales in 2016.

Management Discussion and Analysis



Management Discussion and Analysis

For the year ended 31 December 2016 (the "Current Year"), the Group's revenue decreased by 12.61% over that of the year ended 31 December 2015 (the "Prior Year") to HK\$2,216,082,000. Gross profit margin decreased by 2.89 percentage points to 78.72%. Profit attributable to owners of the Company was HK\$98,402,000, net profit margin was 4.44%. Earnings per share was HK23.62 cents (2015: HK48.38 cents).

The Board of Directors of the Company resolved to declare a final dividend of HK4.30 cents per share (2015: final dividend of HK9.00 cents and special dividend of HK1.00 cent) for the Current Year and proposed a scrip dividend alternative to all shareholders. Together with the interim dividend of HK2.50 cents per share (2015: HK4.00 cents) distributed, will bring the total dividend for the Current Year to HK6.80 cents per share.

Brand management

In 2016, the overall sentiment in the retail market remained sluggish. While consumers demanded for higher quality, they tended to choose products with lower prices. The Group continued to make good use of its multi-brand strategy and allocated internal resources flexibly. The Group leveraged the strengths of various brands while consolidating its signature brand, **EMBRY FORM**, to meet the needs of different consumers. The Group strategically cultivated the professional men's underwear brand **IVU** and the affordable while fashionable brand **IADORE**. Both brands gained further market share in the respective target markets amid difficult business environment. Sales of the two brands recorded growth of 9.51% and 10.45%, respectively.

The Group promoted and advertised its brands and products actively to enhance brand equity. During the Current Year, the Group participated in the 25th China International Fashion Fair, in which it showcased the excellent craftsmanship of **EMBRY FORM**, including the brand's 3D cutting, seamless designs and motif art. During the China International Knitting Trade Fair (Autumn/Winter), **EMBRY FORM** staged the "Romantic Holidays Fashion Trend Show", showcasing the products of **EMBRY FORM**, **FANDECIE**, **IVU** and **LIZA CHENG**, which enhanced the overall image of the Group's brands and strengthened the influence of the brands. **FANDECIE**, the Group's young and energetic lingerie brand, cooperated with a young girl group to film a music video, so as to boost its social media exposure and to reach more young consumers, which laid a better foundation for long-term brand influence.

To cater for online shopping and needs of consumers in China, the Group constantly focused on enhancing the image of its brands on the internet during the Current Year, with a view to raising brand awareness and laying a solid foundation for its e-commerce business. In terms of online sales, the Group continued to concentrate on sales of both promotional and online exclusive products. The Group also closely monitored the changes of customer needs and market trends and developed the e-commerce market prudently.



Management Discussion and Analysis



Sales network

In response to consumers' cautious spending and the weak retail market, the Group focused on enhancing operating efficiency during the Current Year. The Group appropriately adjusted its retail outlets by closing or relocating stores with lower efficiency so as to enhance the overall efficiency of its sales network. As at 31 December 2016, the Group had 2,067 retail outlets in total, including 1,877 concessionary counters and 190 stores. During the Current Year, there was a net decrease of 149 retail outlets of the Group. Meanwhile, the Group's products were also available for sale through different online platforms so as to reach out to more potential customers on the internet.

Product design, research and development

Faced with increasingly severe market competition in the underwear industry, the Group committed to upholding high quality standards and continued to devote resources to the design, research and development of new products. The Group highlighted the characteristics of its various brands through innovation and improvement in patented designs to meet varying consumer needs.

During the Current Year, the Group launched a variety of well-received new collections, including: **EMBRY FORM's** "Sicilia Series" (「西西里系列」) and "Slender and Elegant Series" (「纖姿雅韻系列」); **FANDECIE's** "Simple Life Series" (「簡單生活系列」) and "British Image Series" (「英倫倩影系列」); **COMFIT's** "Thin Cotton FIT Series" (「薄棉FIT系列」) and "Seamless 3D Series II" (「立體無痕II系列」); **E-BRA's** "Simple Geometric Series" (「極簡幾何系列」) and "Fresh and Comfortable Cotton Series" (「清新舒棉系列」); **IADORE's** "Floral Series" (「花香淺唱系列」) and "Blossom Series" (「陌上花開系列」); **LIZA CHENG's** "Sweet Encounter Series" (「香遇系列」) and "Gorgeous Lace Series" (「傾城蕾絲系列」).

As at 31 December 2016, the Group had 8 invention patents, 38 utility model patents, and 2 appearance design patents registered in China and/or other parts of the world.

Production capacity

Over the years, most of the products were manufactured by the Group. Through the flexible deployment of manpower and machine capacity, the Group quickly responded to market demand and rapid changes in consumer preferences. The Group currently has three production bases located in Shenzhen, Jinan and Changzhou respectively. The Group has continued to examine the changes in consumption trends and regularly reviewed capacity allocation to achieve a better operating efficiency.

The Group's automated supply chain logistics facility which comprises an intelligent warehouse at the production base in Jinan, Shandong province commenced its trial production on 1 December 2016 as scheduled. With this facility, the Group hopes to enhance the speed of delivery and increase the deployment flexibility of resources.

Awards

During the Current Year, various brands of the Group, namely **EMBRY FORM**, **FANDECIE**, **COMFIT** and **LIZA CHENG** were awarded "Annual Charity Award of China's Underwear Industry", "Annual Brand Equity Award

Management Discussion and Analysis

of China's Underwear Industry", "Annual Innovation Award of China's Underwear Industry" and "Annual Advancement Award of China's Underwear Industry" respectively in China (Shenzhen) International Brand Underwear Fair. Meanwhile, the Group was also awarded the honour of "Best Market Influence" in China International Knitting Trade Fair, recognising the Group's achievement in enhancing brand awareness of underwear enterprises in China.

During the Current Year, the Group was granted the "National Excellent Enterprise with Foreign Investment — Excellent Tax Payment and Turnover Award" again by China Association of Enterprises with Foreign Investment and Shenzhen Association of Enterprises with Foreign Investment. In addition, the Group was awarded with "Shenzhen Mayor Quality Award — Encouragement Award" and honoured as "Enterprise of Optimal Efficiency" by the Shenzhen Municipal People's Government and Zhangqiu Municipal People's Government respectively, and was honoured the title of "Top 100 Garment Enterprises in China" by the China National Garment Association. **EMBRY FORM** was rated as the "Shenzhen Top Brand" by the Shenzhen Top Brand Evaluation Committee for four consecutive times, and was accredited by the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong as the "Hong Kong Top Brand" for ten consecutive years.

Human resources

Implementation of the minimum wage policy and tense labour supply in China have resulted in continuous wage increase. The Group endeavoured to boost staff loyalty through measures such as organising training courses and improving employee benefits to enhance solidarity, thereby improving its overall operational efficiency. The number of employees of the Group decreased to approximately 8,780 (2015: approximately 8,830). Total staff costs (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme and excluding directors' and chief executive's remunerations) for the Current Year was HK\$681,920,000 (2015: HK\$736,941,000).

Financial Review

Revenue

By sales channel and region

As a result of more cautious consumer sentiment and a weak retail market, revenue for the Current Year was HK\$2,216,082,000, representing a 12.61% decrease over the Prior Year.

During the Current Year, revenue from the retail sales was HK\$1,860,349,000, accounting for 83.95% of the Group's total revenue and representing a decrease of 13.37% over the Prior Year. Revenue from the wholesale business decreased by 13.33% from HK\$273,147,000 to HK\$236,741,000, accounting for 10.68% of the total revenue. Revenue from the Group's direct online sales channels increased by 3.63% from HK\$109,919,000 to HK\$113,908,000, accounting for 5.14% of the total revenue.

The Mainland China market is the main source of income for the Group. During the Current Year, revenue from the Mainland China market was HK\$2,129,821,000, accounting for 96.11% of the total revenue of the Group.



Management Discussion and Analysis

By brand and product line

The Group currently operates seven brands, namely **EMBRY FORM**, **FANDECIE**, **COMFIT**, **E-BRA**, **IADORE**, **IVU** and **LIZA CHENG**, serving customers with different needs and varying degrees of purchasing power.

EMBRY FORM, the signature brand, is the main source of income for the Group and its revenue amounted to HK\$1,029,931,000, with its contribution to the total revenue increasing to 46.49%, mainly due to the higher discount for **EMBRY FORM** products during the Current Year, attracting more consumers to buy this mid- to high-end signature brand. **FANDECIE**'s revenue decreased by 18.41% from the Prior Year to HK\$593,798,000, accounting for 26.79% of the total revenue for the Current Year. **COMFIT**'s revenue decreased by 2.93% from the Prior Year to HK\$193,277,000, accounting for 8.72% of the total revenue for the Current Year. **E-BRA**'s revenue decreased by 18.48% from the Prior Year to HK\$229,455,000, accounting for 10.35% of the total revenue for the Current Year. **LIZA CHENG**'s revenue for the Current Year slightly increased by 0.30% to HK\$38,945,000. **IADORE**'s revenue increased by 10.45% from the Prior Year to HK\$56,618,000, accounting for 2.55% of the total revenue for the Current Year. **IVU**'s revenue increased by 9.51% from the Prior Year to HK\$68,974,000, accounting for 3.11% of the total revenue for the Current Year. The brands' respective proportion in revenue mainly reflected the Group's alignment of its business focus to market development.



Lingerie has always been the Group's core product. During the Current Year, sales of lingerie decreased by 13.27% over the Prior Year to HK\$1,943,254,000, representing 87.69% of the revenue of the Group. Sales of sleepwear remained stable and recorded HK\$129,302,000, accounting for 5.83% of the total revenue of the Group, while sales of swimwear decreased by 14.67% to HK\$127,779,000, accounting for 5.77% of the total revenue of the Group.

Gross Profit

During the Current Year, the Group recorded a gross profit of approximately HK\$1,744,551,000, representing a decrease of 15.71% over the Prior Year. Gross profit margin was 78.72%, representing a slight decrease of 2.89 percentage points from the Prior Year. The decrease in gross profit margin was mainly due to the Group's enhanced effort in promotional activities in response to market competition and a weak retail environment resulted from prudent consumer sentiment.

Other income and gains

Other income rose 17.13% to HK\$52,763,000 for the Current Year, mainly attributable to the gain of approximately HK\$13,000,000 on investment properties revaluation during the Current Year. Nevertheless, those gains were partly offset by the foreign exchange loss of approximately HK\$22,131,000 due to the significant depreciation of Renminbi in the second half of the year.

Management Discussion and Analysis

Operating expenses

During the Current Year, selling and distribution expenses decreased by 10.25% to HK\$1,377,636,000 (2015: HK\$1,534,899,000), accounting for 62.17% (2015: 60.53%) of the Group's revenue.

The decrease in selling and distribution expenses mainly reflected the Group's endeavour to control costs under the current business environment. The increase in rents of the retail outlets and staff costs continued to exert pressure on operating costs. In 2016, to mitigate rising cost pressure, the Group closed retail outlets with lower profitability so as to enhance its efficiency. During the Current Year, contingent rents of the retail outlets decreased by 14.36% to HK\$545,052,000, accounting for 24.60% (2015: 25.10%) of the Group's revenue.

Administrative expenses decreased by 8.11% over the Prior Year to HK\$245,694,000, accounting for 11.09% of the Group's revenue.

Net profit

Profit attributable to owners of the Company was HK\$98,402,000 for the Current Year, representing a decrease of 51.18% over the Prior Year. Net profit margin decreased from 7.95% for the Prior Year to 4.44%. The decrease in net profit was due to a weak retail environment resulting from prudent consumer sentiment during the Current Year as well as the increase in the percentage of overall operating expenses to revenue and the depreciation of Renminbi.

Liquidity and financial resources

The Group finances its operations mainly with internally generated cash flows. Financial position of the Group remained sound and healthy during the Current Year. As at 31 December 2016, the Group's cash and cash equivalents amounted to approximately HK\$190,187,000 (2015: HK\$233,017,000). As at 31 December 2016, the Group's interest-bearing bank borrowings amounted to HK\$354,833,000 (2015: HK\$308,211,000). As at 31 December 2016, the equity interest attributable to owners of the Company amounted to HK\$1,719,487,000 (2015: HK\$1,790,823,000). Accordingly, the gearing ratio of the Group was approximately 20.64% (2015: 17.21%).

Capital expenditure

During the Current Year, the capital expenditure of the Group amounted to HK\$210,720,000 (2015: HK\$173,591,000), which was mainly used for the establishment of an automated supply chain logistics facility comprising an intelligent warehouse at the production base in Jinan, Shandong. As at 31 December 2016, the capital commitments of the Group amounted to HK\$122,738,000 (2015: HK\$170,854,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets

As at 31 December 2016, the Group did not pledge any assets.

Capital structure

As at 31 December 2016, the total issued share capital of the Company was HK\$4,166,000 (2015: HK\$4,166,000), comprising 416,661,000 (2015: 416,661,000) ordinary shares of HK\$0.01 each.

Details of the above are set out in note 28 to the financial statements.

Significant investment held, material acquisitions and disposals of subsidiaries and associated companies

During the Current Year, the Group was neither involved in any significant investment, nor any material acquisitions or disposals of any subsidiaries or associated companies.

Management Discussion and Analysis

Foreign currency exposure

The Group carries out its transactions mainly in Hong Kong dollars and Renminbi. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business.

Contingent liabilities

As at 31 December 2016, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK\$1,788,000 (2015: HK\$2,196,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

Prospect

Looking ahead to 2017, uncertainties over the global economic and political environment linger. The overall economic outlook will hinge on various factors including Brexit progress, US President Trump's external trade policy and the pace of interest rate hike by the Federal Reserve. China's manufacturing industry and export trade are facing competition from emerging economies in Southeast Asia, while the depreciation pressure on Renminbi continues. It is expected that the investment climate and consumer sentiment will remain cautious. The retail industry has to pay close attention to the market and respond carefully. However, economic growth in China will remain stable. Supply-side reform will result in improved quality of consumer goods. Consumption channels will be broadened through online retailing while consumption level will be raised on the back of China's accelerating urbanisation, thereby driving continued growth in China's consumption in the long term.

As a major brand operator in the lingerie industry in China, the Group remains cautious about its business outlook while closely monitoring the market conditions and adopting prudent and flexible development strategies to address the upcoming challenges in the market.



In view of the uncertainties in the market, the Group will focus on enhancing sales efficiency by planning its sales network strategically. The Group will remain prudent in integrating sales network, closing underperforming retail outlets and adjusting the proportion of stores and concessionary counters according to the business environment and consumption level in the market and in different regions. The Group expects a negative growth in the number of retail outlets in 2017. Despite the decrease in the number of net openings, the more optimal sales network will improve the overall operational efficiency in the long term. On the other hand, along with the completion of the intelligent warehouse by the end of 2016, the logistics procedures of the Group are expected to be more flexible. The Group is expected to achieve better overall operational efficiency and the price competitiveness of the Group will thereby be enhanced.

While maintaining its price competitiveness, the Group is also constantly committed to upholding high quality standards. Therefore, the Group will continue to devote resources to product design and development and

Management Discussion and Analysis

enhance its innovation capabilities in order to cater for various consumption levels and meet the diverse consumer needs for product design, functionality and materials.

As China's economy becomes more developed, consumers are paying more attention to the safety of products and materials. In this regard, the Group will continue to capitalise on its expertise in tailoring and design to offer healthy products of aesthetic quality.

Despite a tough retail environment, the Group can still stand out at the time of adversity by leveraging on its solid business foundation, multi-brand strategy, innovative product portfolio and uncompromising product quality. The Group will continue to expand its target customer base while securing the existing customers. The Group will implement and review business strategies from time to time in a prudent manner to foster long-term and steady business growth, lay a solid foundation for the retail industry's future recovery and generate satisfactory returns to its shareholders.



Awards



- According to the national retail consumption survey results released by China General Chamber of Commerce and the China National Commercial Information Centre in 2016, **EMBRY FORM** ranked as the **top three enterprises in 2015 in terms of composite market share in similar products in the industry in China**, and **ranked first in 2015 in terms of composite market share with respect to group sales in similar products in the industry in China**
- **Embry (China) Garments Ltd.** received the **Shenzhen Mayor Quality Award — Encouragement Award** for the year of 2015 from the Shenzhen Municipal People's Government
- **Embry (China) Garments Ltd.** received award for **Innovative Contributions for Knitted Underwear** from the China National Textile and Apparel Council
- **Embry (China) Garments Ltd.** received the **Best Market Influence Award** at the 2016 China International Knitting Trade Fair
- **Embry (China) Garments Ltd.** was awarded a certificate of an **Exemplary Enterprise of Integrity in Product and Service Quality** by the China Association for Quality Inspection
- **Embry (China) Garments Ltd.** was granted the awards of **National Excellent Enterprise with Foreign Investment — Excellent Tax Payment and Turnover, Quality Progress and Harmonious Labour Relationship Promotion (2015–2016)** by the China Association of Enterprises with Foreign Investment and Shenzhen Association of Enterprises with Foreign Investment
- **Embry (Shanghai) Company Limited** was accredited as the **Top 100 Garment Enterprises in China (2015)** by the China National Garment Association

Awards



- **Embry (Shandong) Garments Limited** was named by the Zhangqiu Municipal People's Government as the **Enterprise of Optimal Efficiency (2015)**
- **Embry (Shandong) Garments Limited** was accredited by China National Textile and Apparel Council as an **Exemplary Enterprise of Talent Development in China's Textile Industry in 2016**
- **Embry (Changzhou) Garments Ltd.** was awarded a certificate of **Third-grade Enterprise of Work Safety Standardisation** by the Changzhou Administration of Work Safety
- **EMBRY FORM** was accredited as **Shenzhen Top Brand** by the Shenzhen Top Brand Evaluation Committee
- **EMBRY FORM** received the **Annual Charity Award of China's Underwear Industry (2015–2016)** at the China (Shenzhen) International Brand Underwear Fair
- **FANDECIE, COMFIT** and **LIZA CHENG** were granted the **Annual Brand Equity Award, Annual Innovation Award** and **Annual Advancement Award of China's Underwear Industry (2015–2016)** respectively at the China (Shenzhen) International Brand Underwear Fair
- **EMBRY FORM** received the **Hong Kong Top Brand (2007–2016)** award from the Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong
- **EMBRY FORM** was awarded the **Quality Tourism Services Scheme Certification Mark** by the Hong Kong Tourism Board
- **Embry (H.K.) Limited** was accredited by The Mandatory Provident Fund Schemes Authority as a **Good MPF Employer**

Directors and Senior Management

Executive Directors

Madam Ngok Ming Chu, aged 80, is the Chairman of the Group and an Executive Director of the Company. She is also a director of certain subsidiaries of the Company. Madam Ngok is in charge of the Group's corporate strategy and business planning. She joined the Group in 1980 and has over 36 years of experience in the lingerie industry. Madam Ngok graduated from and is currently an Honorary Professor of Beijing Agricultural Engineering University (now known as China Agricultural University). She is also a shareholder and director of Harmonious World Limited (a substantial shareholder of the Company), the spouse of Mr. Cheng Man Tai (a substantial shareholder of the Company) and the mother of Ms. Cheng Pik Ho Liza (an Executive Director of the Company).

Ms. Cheng Pik Ho Liza, aged 54, is the Chief Executive Officer of the Group, an Executive Director and a member of both the Remuneration Committee and Nomination Committee of the Company. She is also a director of certain subsidiaries of the Company. Ms. Cheng is responsible for the day-to-day management of the businesses of the Group. Ms. Cheng joined the Group in 1993 and has over 24 years of experience in the lingerie industry. She obtained a Bachelor's degree in Business Administration from the University of Southern California and a Master of Business Administration (Executive) degree from the City University of Hong Kong. Ms. Cheng was awarded the prize for Young Industrialist in Hong Kong in 1999 and was appointed as Vice Chairman of Shanghai Garment Trade Association in 2008. She obtained the World Outstanding Chinese Award and Honorary Doctorate of Business Administration from International American University in March 2009, and was awarded Fellowship and admitted as Visiting Professor by Canadian Chartered Institute of Business Administration and Lincoln University respectively in September 2009. Furthermore, Ms. Cheng was elected as the first President of Shenzhen Underwear Association in August 2012. She is currently a member of the Jinan Committee of the Chinese People's Political Consultative Conference in Shandong, a member of the Yangpu Committee of the Chinese People's Political Consultative Conference in Shanghai, a member of the China Trade Advisory Committee of Hong Kong Trade Development Council, a member of the China National Textile and Apparel Council, a Vice Chairman of China Knitting Industrial Association, a specially invited Vice President of the China Association for Quality Inspection and a Vice Chairman of The Hong Kong General Chamber of Textiles Limited. Ms. Cheng is also a director of Harmonious World Limited (a substantial shareholder of the Company), and the daughter of Mr. Cheng Man Tai (a substantial shareholder of the Company) and Madam Ngok Ming Chu (the Chairman of the Group).

Ms. Lu Qun, aged 63, is an Executive Director of the Company and currently the Assistant General Manager (Strategic Management) of Embry (China) Garments Ltd. and the General Manager of Embry (Shandong) Garments Limited. She is also a director of certain subsidiaries of the Company. Ms. Lu is responsible for the functions of strategic management and project management in Mainland China. She joined the Group in April 2003 and has over 37 years of experience in management and administration. Ms. Lu obtained a Master's degree in Business Administration from Beihang University (previously known as Beijing University of Aeronautics and Astronautics), the People's Republic of China (the "PRC"), in 2001. She has also obtained an undergraduate diploma in international trade from the University of International Business and Economics, the PRC, in 1992. Ms. Lu completed a senior managers' human resources management training course held by Tsinghua University, the PRC, in 2006. She has obtained the International Project Management Professional Certification since 2002. Ms. Lu is currently a member of the 15th Shanghai Municipal People's Congress.

Directors and Senior Management

Independent Non-Executive Directors

Mr. Lau Siu Ki, alias, Kevin Lau, aged 58, is an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of the Company. Mr. Lau is currently running his own management consultancy firm, Hin Yan Consultants Limited. Mr. Lau has previously worked at an international accounting firm for over 15 years. He graduated from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in 1981. Mr. Lau is a member of both the Association of Chartered Certified Accountants (“ACCA”) and the Hong Kong Institute of Certified Public Accountants. He was a member of the worldwide Council of ACCA from May 2002 to September 2011. Mr. Lau is currently the company secretary of Yeebo (International Holdings) Limited, Hung Fook Tong Group Holdings Limited and Expert Systems Holdings Limited, an independent supervisor of Beijing Capital International Airport Co., Ltd., and an independent non-executive director of Binhai Investment Company Limited, China Medical & HealthCare Group Limited, Comba Telecom Systems Holdings Limited, FIH Mobile Limited and Samson Holding Ltd., the shares of which are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). He had been an independent non-executive director of UKF (Holdings) Limited, the shares of which are listed on the Stock Exchange, until his resignation on 15 March 2016. He had also been an independent non-executive director of TCL Communication Technology Holdings Limited, the shares of which were delisted from the Stock Exchange from 30 September 2016. Mr. Lau joined the Company in November 2006.

Mr. Lee Kwan Hung, aged 51, is an Independent Non-Executive Director, the Chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee of the Company. Mr. Lee is a consultant of Howse Williams Bowers. He received his LL.B (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1997. Mr. Lee is currently an independent non-executive director of NetDragon Websoft Holdings Limited, Asia Cassava Resources Holdings Limited, Futong Technology Development Holdings Limited, Newton Resources Ltd, Tenfu (Cayman) Holdings Company Limited, China BlueChemical Ltd., Landsea Green Properties Co., Ltd., Red Star Macalline Group Corporation Ltd., China Goldjoy Group Limited, FSE Engineering Holdings Limited and Ten Pao Group Holdings Limited, the shares of these companies are listed on the Stock Exchange. He had been an independent non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust), Far East Holdings International Limited and Walker Group Holdings Limited (now known as Vestate Group Holdings Limited), the trust units or shares of which are listed on the Stock Exchange, until his resignation on 7 October 2014, 12 November 2014 and 1 April 2016 respectively. Mr. Lee joined the Company in November 2006.

Prof. Lee T. S., alias, Lee Tien-sheng, aged 68, is an Independent Non-Executive Director, the Chairman of the Nomination Committee and a member of both the Audit Committee and Remuneration Committee of the Company. Prof. Lee is currently a Chair Professor of Feng Chia University, Taiwan and the Professor Emeritus of the Department of Supply Chain and Information Management of Hang Seng Management College. He was the Dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 2002 to 2008, Vice-President (Academic & Research) of Hang Seng Management College from 2009 to 2014 and the Head and Professor of the Department of Supply Chain and Information Management of Hang Seng Management College from 2009 to 2015. Prof. Lee obtained his PhD in Business Administration and Master’s degree in Business Administration from the University of Missouri-Columbia, the United States in 1982 and 1978 respectively. He also holds a Master’s degree in Management Science and a Bachelor’s degree in Electronic Engineering from the National Chiao Tung University of Taiwan. Prof. Lee’s research and teaching interests include supply chain management, quality management and business process reengineering. He has published his research in many academic journals. Prof. Lee is currently an independent non-executive director of GET Holdings Limited, the shares of which are listed on the Stock Exchange. Prof. Lee joined the Company in November 2006.

Directors and Senior Management

Senior Management

Ms. Fung Kam Lai Katie, aged 50, is the Group's Chief Financial Officer. Ms. Fung is responsible for the supervision and management of the Group's overall financial matters and investor relations. She joined the Group in March 2007 as the Internal Audit Director and was appointed to the present position in July 2010. Ms. Fung obtained a Master's degree in Business Administration (Executive) from the City University of Hong Kong. She is a member of Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. Ms. Fung has over 27 years of experience in auditing, financial accounting, corporate investment and financing, as well as management.

Mr. Ma Rui, aged 46, is the Assistant General Manager (Marketing) of Embry (China) Garments Ltd. He is responsible for the functions of sales planning and marketing management in Mainland China. Mr. Ma graduated from Changsha University with a diploma in applied computer science in 1992, and is at present studying a master of business administration programme offered by the Shanghai University of Finance and Economics. Mr. Ma has been engaged in various posts in sales and marketing since joining the Group in October 1998. He possesses over 23 years of practical experience in sales and marketing management.

Environmental, Social and Governance Report 2016

About this report

This report is the first Environment, Social and Governance Report published by Embry Holdings Limited. The report is prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide issued by the Hong Kong Stock Exchange Limited (“HKEx”).

Throughout the report preparation process, the Group commissioned an independent consultant to engage our stakeholders on behalf of the Group. Stakeholder engagement helps us to fulfill the four reporting principles, Materiality, Balance, Quantitative and Consistency, as outlined by the HKEx. The Group will continue to enhance how we collect ESG information internally, and improve how we perform and disclose.

The report discusses information on our policy, efforts and achievements in environmental, social and governance aspects from 1 January 2016 to 31 December 2016. Unless otherwise specified, the reporting boundary covers Embry Holdings Limited and all our subsidiaries.

Naming

In this report, Embry Holdings Limited is referred to as “the Group” or “We”.

Source of information and assurance to reliability

Data and case studies mentioned in this report originate from our own statistical reports and internal documents. The Group confirms that this report does not contain false or misleading statements. The Group is responsible for the authenticity, accuracy and completeness of content of this report.

Board approval

Upon review of the management, this report is approved by the Board on 23 March 2017.

Foreword — Our business is beautiful because of love

As a lingerie company in China, the Group takes action to endow our business with a richer connotation and a broader meaning. The Group persists in promoting balance and inclusiveness as well as harmony in the development of the economy, environment and society. The Group believes that the greater good of the community shall be achieved by integrating benefits to individuals, society and nature as a whole. Under the leadership of our CEO Ms. Liza Cheng, the Group is living out our belief in every aspect of our business. To provide the safest and the most comfortable products to our customers, the Group strictly controls the quality and hazardous substance content of incoming raw materials. To minimise our environmental impact, the Group has been designing, building and running our manufacturing facilities based on ecological principles since 2006. As our success is inseparable from the contribution of our employees, the Group therefore strives to strengthen the sense of belonging of our team. The Group believes it is our mission to promote the health of Chinese women, and has supported a charitable initiative that promotes women’s health for 10 consecutive years.

Looking into the future, the Group will continue our efforts to achieve excellence in promoting women’s beauty and quality of life.

Beautiful craftsmanship

It is our mission to provide our customer with comfortable, healthy and fashionable lingerie products. The Group is the first lingerie company in China to have acquired ISO certifications and the China Environmental Label. From the selection of raw materials to the processing of finished goods, the Group rigorously controls product quality at each phase of the production process. The Group also highlights training provided to our frontline sales ladies to promote listening attentively to customer opinions and offering the most satisfying customer service.

Environmental, Social and Governance Report 2016

What is China Environmental Labelling?

China Environmental Labelling is issued by the State Environmental Protection Administration (SEPA) Environmental Certification Centre. The product bearing the label has not only achieved the optimum quality standard, but its production, use and treatment processes have also met national environmental protection requirements. Compared with similar products, certified products contain less harmful substances and require less resources to make. This certification provides better information to customers on the environmental performance of products and supports green purchasing decisions. The certification body re-verifies the Group annually to confirm that our products' performance meets the standard. The third-party verification system of the China Environmental Labelling scheme follows global eco-labelling practices. China has signed mutual recognition agreements with Germany, South Korea, Japan, Australia and other countries and regions. This means that products certified with China Environmental Labelling are also recognised as eco-products in these countries.



Rigorous quality control

The Group has an effective and robust Quality Management System. The establishment of various procedures, standards and control measures has allowed the Group to keep up with the requirements of various standards on product quality, safety and environmental performance.

The Group signed the Declaration of Quality and Safety for Underwear Industry to announce our commitment to assuring product quality through checking incoming raw materials in accordance with national and industrial standards. Through signing the Declaration, the Group is also promising not to make false claims and intentionally mislead our consumers.

Supplier management

Assurance of product safety and comfort begins with controlling the quality of incoming materials. The Group places high emphasis on the quality of incoming materials and the performance of suppliers on quality, environmental management and labour management.

Before the Group decides to engage a new supplier, a team formed by the members of the Procurement Department, Design Department, Quality Department, Research and Development Department and Brand Centre (hereinafter the "supplier verification team") conducts verification of the new suppliers' product quality, operational risk, and environmental and social performance based on our internal procedures. Those suppliers who pass the verification are qualified to become our suppliers.

The Group requires all products supplied by our suppliers to be certified with the Oeko-tex certification or comparable quality and environmental certification. The sewage treatment capability of certain suppliers can impact the environment. The Group therefore requires suppliers to be equipped with effective sewage treatment facilities. The Group terminates trade relationships with suppliers who cannot fulfil the aforementioned requirements. As at 31 December 2016, except for small suppliers that only adopt manual processes who are exempted from audits, all suppliers had fulfilled the aforementioned requirements. The Group is aware of the labour issues in the garment industry. The Group takes into consideration that whether our suppliers follow the labour standards as outlined by SA8000 and Worldwide Responsible Accredited Production.

Environmental, Social and Governance Report 2016

What is Oeko-tex Standard 100?

Oeko-tex Standard 100 is an eco-label for textile products, which is issued by the International Association for Research and Testing in the Field of Textile and Leather Ecology. The Standard certifies that the textiles for garment products have been tested for substances that can be harmful to human bodies, and the content of harmful substances is below a specific safety limit.

The Group irregularly visits the operational sites of more than 10 critical suppliers mainly for relationship building, but we also take the opportunity to review their environmental, social and governance performance as well. As the Group checks the quality of incoming raw materials, we may decide to re-verify the supplier if the quality of their products is continuously unsatisfactory. Based on the mutual-benefiting principle, the Group's policy is to support our suppliers to enhance their product quality.

The Group terminates trade relationships with suppliers who cannot fulfil the aforementioned requirements. The concerned suppliers' accounts will be frozen in our procurement system to prevent the Group from purchasing from them before they are re-qualified.

Number of suppliers by geographical region

Geographical region	Number of suppliers
China	112
Asia except China	30
Europe	10
Total	152

Material testing

For any lingerie fabric to enter our production lines, the formaldehyde content and pH value must be rigorously controlled. The Group also requires lingerie parts such as lace, cotton cups, linings and shoulder straps to be light, soft, breathable, eco-friendly and has good functionality so as to protect women's health. Before any products are shipped for sale, they undergo 30 quality tests, which include environmental, safety, comfort, function and durability tests.

Our commitment to customers

Apart from providing safe products with high quality, the Group makes a strong emphasis on providing attentive service and satisfying reasonable requests in response to our customers' support.



Environmental, Social and Governance Report 2016

Service quality

Our sales ladies serve our customers in 2,067 retail outlets across China. To ensure our sales ladies understand and reach our servicing quality standards, the Group offers a series of training sessions and assessments. New recruits must pass on-boarding training, sales counter supervision and the final probation assessment. Current sales ladies are required to pass monthly assessments and assessments of their product knowledge.

An effective complaint handling mechanism is also a big part of service quality assurance. The Group is committed to maintaining a customer feedback channel through which customers can reach our managers directly. If the Group receives a complaint, it is our policy to take swift corrective action and report back to the concerned customer. Should the Group receive a valid complaint relating to unsatisfactory service attitude, we will arrange for retraining to raise awareness of service quality.

Listening to our customers

Our customers can call our customer service hotline if they have any feedback on our product and service quality. It is our policy to replace any products for free if they are defective. If the Sales Department receives a complaint regarding our products, the case will be passed to our complaint investigator of the Quality Assurance (QA) Department. The investigator will analyse the defective product within 1 working day. The result of the analysis is then reported back to the customer.

Upon closure of a complaint case, the Group will call the customer to learn if they are satisfied with our response and investigation. With this opportunity, the Group also evaluates the customers' satisfaction with the sales ladies who served them through telephone survey. In 2016, more than 99% of these customers expressed satisfaction with our service.



To holistically realise our commitment to quality, the Group has formulated the "Quality Incident Handling Management Procedure". According to this Procedure, the Group conducts in-depth quality check of a concerned batch of specific models if there are repeated complaints made regarding their quality. The Group may also launch product recalls.

Protecting customers' private information

Our customers can register themselves as VIP members to enjoy special offers. As they register, the Group collects their personal information such as phone numbers. The Group handles this personal information with care for the sake of privacy protection. The terminals at the retail outlets do not store any VIP member information locally. All data is stored at the company's main server. Access rights of salesladies to VIP members' personal information as retail outlets are limited. The transmission of personal information between the server and the terminal at retail outlets is encrypted.

Environmental, Social and Governance Report 2016

Respecting intellectual property rights

The design, functionality and production techniques for lingerie products are ever-changing. Lingerie brands are well differentiated by the special features of their products. To a lingerie business, intellectual property is a critical asset and a competitive edge.

Respecting the intellectual property rights of other lingerie businesses promotes positive competition and innovation. The Group insists to create our own products and does not plagiarise other companies' designs. To avoid being accused for infringing on other companies' copyrights, the Group has devoted significant effort to researching new designs created by other lingerie companies to avoid introducing similar designs to the market. The Group also learns from our suppliers about the type of materials that our competitors select so as to avoid introducing similar products. The Group does not adopt open-source design patterns since we may risk using same patterns as others. On the technical side, our dedicated technicians research the relevant patents filed every quarter and analyse the technique, to make sure the Group does not copy patented techniques.

The Group highly values innovation. With the effort of our design and technical teams, the Group has drafted 25 industrial standards. The Group has now more than 40 proprietary technology patents (please refer to the Management Discussion and Analysis chapter). To protect our own intellectual property rights on proprietary style, materials and patterns, the Group requires our suppliers to sign non-disclosure agreements to prevent our products from being imitated.

Realising our green dream

To benefit nature, the Group pays attention to how our operation interacts with the environment, and how the Group can contribute to sustainability. Our environmental footprint comes from the operation of our production base and our production process. As early as 2006, the Group has planned for construction of green industrial parks. Our Shandong Industrial Park and Changzhou Industrial Park were built and operate in an eco-friendly manner. According to our "Resource and Energy Saving and Control Procedure" and "Resource and Energy Saving Management Regulations", the Group strives to minimise the wastage of raw materials during manufacturing, and reuses and recycles residual materials as much as possible.

Environmental, Social and Governance Report 2016

Green operational sites

The Group puts a strong emphasis on minimising the environmental impact of our production plants. Our recently-built major manufacturing production base, the Shandong Industrial Park and Changzhou Industrial Park, were planned, designed and built in an eco-friendly manner. They are considered 'beautiful projects' as they have achieved sustainability as industrial plants.

It is common for manufacturing plants to spend a tremendous amount of energy in warming and cooling. Our two industrial parks employ geothermal heat pumps for temperature control. The geothermal heat pumps allow energy-efficient temperature control by utilising earth as

a heat source in winter and heat sink in summer. Air-conditioning powered by geothermal heat pumps saves 40% of energy as compared to other central air-conditioning systems, and is also less polluting. 1,760 and 372 MWh of electricity has been saved by the Shandong and Changzhou Industrial Parks respectively.

To further reduce the demand of our factories for air-conditioning, the Group has installed spraying systems inside the production workshops of Shandong Industrial Park for cooling and air purification. Spraying nozzles are also installed in gardens. Fresh, cool air is directed to the workshops for cooling through underground pipes by ventilating machines. This system can achieve energy savings of 125 MWh per year. The Changzhou Industrial Park is equipped with motorised curtains for shading, thus preventing the introduction of solar radiation heat and loss of cool air in the summer. This could save 10%–15% of electricity consumption for cooling.

Material use for building facades also helps to significantly reduce energy consumption. Buildings in the Shandong Industrial Park employ a steel-concrete frame structure, and the facade and roof is made of materials such as aerated concrete blocks, concrete polystyrene board, aluminium-magnesium-manganese alloy plates and glass wool. The facade for the manufacturing block and dormitory of Changzhou Industrial Park uses aluminium insulation boards while the roof is built from foamed concrete. Windows and glass curtain walls are made of insulating broken bridge glass. 50% of energy used for air conditioning can be saved due to these features.

The roofs of the industrial parks have anti-UV skylights. Natural light is well utilised all year round for annual energy savings of 790 MWh. Outdoor light fixtures are solar-powered or are LED models, contributing 142 MWh of annual energy savings. Infrared sensors are installed for controlling indoor lights in the Changzhou Industrial Park, contributing annual energy savings of 4.7 MWh.

The Group is also taking action to enhance water consumption efficiency. Water used for landscaping can be recycled. Upon treatment by our own biochemical wastewater treatment plant, domestic sewage can be reused for landscaping purposes. Sewage from the canteen passes through a grease trap before being directed to the municipal sewage network.



Skylights introduce natural light to the indoor space, reducing our demand to artificial lights

Environmental, Social and Governance Report 2016

Our beautiful green industrial parks



Our industrial parks are extraordinary. Unlike many other manufacturing plants, they represent harmony between the natural vegetation, water bodies and buildings. They are the best reflections of our commitment to the natural environment. The industrial parks receive visitors such as business partners and customers so as to demonstrate our environmental vision. This helps enhance our brand value.

Making use of natural soil and streams, the Group grows organic crops such as wheat and corn. The Group makes agricultural goods such as wheat flour for our internal use or as gifts for visitors. Ducks and geese are kept in the Industrial Park and manure is collected for feeding fish, and fish excrement is in turn used to fertilise our organic crops. As such, a natural nutrient chain is formed.

The Group grows fruits and vegetables in our Changzhou Industrial Park, which are harvested for visitors and employee catering.

Visitors to our industrial parks have expressed their appreciation of our way of living out sustainability where the Group manufactures our products.

Energy saving measures have also been implemented at the Shenzhen production base. In 2016, all 2,948 light fixtures in the offices and workshops of our Shenzhen site have been replaced by LED lights, reducing the energy consumed for lighting by around 40%. Production equipment is now driven by energy-saving motors. The Group regularly maintains our machines so that they run at their best efficiencies. This reduces energy consumption for production equipment by around 10%–13%. Employees are arranged to work at the same areas and periods of time so that air-conditioning and lighting are only required at concentrated locations and time periods.

Environmental, Social and Governance Report 2016

The Hong Kong and Shanghai offices are equipped with LED lights. For the Hong Kong office, 15MWh of electricity can be saved annually. The Group also reminds employees to turn off lights, computer monitors and air-conditioning if they are not in use. These save around 6%–10% of energy at offices. The 50W halogen lamps in the fitting rooms of our mainland retail shops have been replaced with 15W LED lamps. Lamps can be switched off when not in use, saving 400MWh per year. Our 17 retail shops in Hong Kong have installed LED lights which contribute to annual energy savings of 174MWh.

 Annual energy consumption¹ of the Group in 2016 was 7,748 MWh.

 Annual water consumption² of the Group in 2016 was 178,036 m³.

 Annual carbon footprint³ of the Group in 2016 was 6,331 tonnes CO₂-e.

Green manufacturing

Our production process includes moulding, cutting, sewing and packaging. No polluting process, such as dyeing and enzyme washing, is involved. Our main environmental footprint is therefore the generation of scrap materials such as cloth and foam. The Group has reduced our environmental impact by enhancing the utilisation rate of raw materials and recycling any scrap generated.

In 2016, the Group introduced software to improve the material utilisation rate by 2%. This software has been progressively applied at our three production bases.

The technical team is responsible for determining the material utilisation rate target for products. The Manufacturing Department strictly controls the quantity of material used according to the technical guidelines to minimise material wastage.

Waste generated from our manufacturing sites include foam, cloth, and accessory and carton box scraps. Domestic waste is also generated from the dormitory in relatively small quantities. After compression, scrap materials are collected and treated by qualified recyclers. Packaging materials and domestic waste are segregated as recyclable and not recyclable before being collected and treated by municipal services.

¹ The energy consumption figure does not cover our retail shops and sales offices in mainland China. The Group will start to record energy consumption at our mainland retail shops in 2017. The energy consumption at sales offices was deemed insignificant as compared to the energy consumed by the Group. We therefore have not taken into account the energy consumption at sales offices.

² The water consumption figure covers only our Shandong, Changzhou and Shenzhen production bases and offices. The Group does not consume water in significant quantities in other operational sites and we therefore have not reported that figure.

³ Carbon footprint covers Scope 1 and Scope 2 only. Scope 1 carbon footprint refers to the carbon emissions associated with fuel consumption for company vehicles. Scope 2 carbon footprint refers to the carbon emissions associated with purchased electricity. Our boundary for the Scope 2 carbon footprint is as same as that for energy consumption.

Environmental, Social and Governance Report 2016

Upcycling at Changzhou

Our team at Changzhou makes use of scrap materials to create seat covers, scarves and gloves for internal use or employee lotteries.



Starting from 2016, all our packaging plastic bags are made of degradable plastics. Such material decomposes under anaerobic conditions, such as when buried in landfills. The Group provides recyclable paper bags to customers at retail outlets instead of plastic bags.



In 2016, the Group's overall material utilisation rate was 84%.



The Group has recycled 92 tonnes of scrap materials and packaging materials⁴.



The Group consumed 560 tonnes of cloth, 349 tonnes of foam, and 338 tonnes of degradable plastic bags.

Our beautiful team

Competent human resources is the core driver of the Group. The Group relies on our team to maintain the quality of our products and services, live out our business vision and ensure the sustainability of our business. Through providing training, organising cultural activities and improving employee benefits, the Group has built sense of belonging for our employees, and has cultivated a beautiful team.

Compliance with Labour Regulations

Our human resources management policy has fulfilled the requirements outlined in the Labor Contract Law of the People's Republic of China and the Employment Ordinance of the Hong Kong Special Administrative Region. The Group is committed to providing a pleasant working environment for all employees, including the workers in our industrial parks and sales ladies at our retail outlets.

The Group signs employment contracts with our employees in a voluntary, mutually respectful manner. For expiring employment contracts, the Group renews the contract on time. For employees whose job duty subject to change, the Group revises the contract terms before the employees start their new positions. According to the terms outlined in the employment contract, the Group selects and develops employees, issues wages, provides injury and sick benefits, and dismisses employees in accordance with the law.

⁴ This figure covers only the Shandong and Changzhou Industrial Parks. We have not recorded the quantity of scrap material generated from our Shenzhen production base.

Environmental, Social and Governance Report 2016

The Group provides reasonable wages and benefits, which are above the minimum level as required by law. Manufacturing workers are remunerated based on the quantity of goods processed. If their wages do not reach the statutory level due to low work efficiency, the Group will pay the statutory wage. Overtime work is compensated monetarily or by annual leave in accordance with the law. Long service awards and performance bonuses are issued to outstanding individuals. In mainland China, on top of the statutory labour benefits, the Group offers benefits such as housing allowances, travel allowances, quarterly bonuses, paid annual leave, accident insurance, health checks, women's health checks, annual awards, annual dinner, birthday and festival gifts, and support to employees facing difficulties.



In mainland China, our manufacturing staff and office staff working hours are determined under the Standard Working Hour System. They work no more than 40 hours per week. Paid annual, wedding, compassionate, maternity, nursing and paternity leave is offered in accordance with the national, provincial and municipality law. For the sake of their health, any employees who are requested to work overtime for exceptional reasons can only work an additional 3 hours. Overtime work per individual must not exceed 36 hours per month accumulatively. The working hours of sales ladies in mainland China are determined by our comprehensive working hour system, where our employees enjoy paid annual leave and overtime pay as set out in the law. Hong Kong back-end employees work 8.75 hours per day and 5 days per week. Sales ladies in Hong Kong work 9 hours per day (including 1 hour paid lunch) and 6 days per week.

The Group does not tolerate employment of child or forced labour. As the Group takes a people-oriented approach, so far there has not been cases of employing forced labour. Also, the Group is committed to providing an equal opportunity to everyone for employment, training and career development. The Group does not treat employees differently in appraisal and remuneration due to gender, race, ethnicity, religion, pregnancy, physical impairment, marriage status or family position. The Group provides a comprehensive career development ladder. The assessment criteria for promotion are only based on position requirements. The Group does not tolerate direct or indirect discrimination.

Employees can report violations of labour regulations anonymously to their supervisors, the Human Resources Department, the Internal Audit Department or the Union through email and comment boxes. The Group also solicits employee comments from the General Manager mail box, quarterly executive meeting and annual satisfaction survey.

Environmental, Social and Governance Report 2016

Building a beautiful team

The Group sees every employee as part of a big family. A variety of extra-curricular activities are organised to build our team and create a sense of belonging.



Our Shandong and Changzhou Industrial Parks are very refreshing, harmonious places to work and live. In these parks, the Group has created comfortable rest and exercise spaces. The Group organises birthday parties, cultural events, manual skill contests, networking events and dinners. The Group organises ping-pong and basketball tournaments, sports days and hikings, and provides gymnasiums, basketball courts and ping-pong rooms.

As a business which cares about women's health, the Group cares about the health of our employees. For example, the Group arranges health checks for married female employees in Shenzhen who are of childbearing age.



The chart above presents the distribution of employees by nature of position and gender as at 31 December 2016.

Occupational health and safety

As an apparel company, the Group pays attention to occupational health and safety (OHS) management, and has appointed the Safety Management Division to oversee OHS matters. The Group has a series of safety-related documents, such as the "Safe Production Management Regulations", "Working Environment Management Procedure", "Emergency Response Plan", etc. Our Safety Specialists conduct safety checks daily, and build a "Safety Hazards Correction Record" to monitor corrective actions taken by operational units.

The Group has control measures for the three major safety hazards at our workshops. First, manufacturing equipment such as cutters must be operated with care. Operators are equipped with goggles and baffles to avoid eye injuries from needles, and with anti-cutting wire gloves to avoid cuts. The safety operating procedures at each position and machines are clearly displayed. Necessary warning signs are placed at locations that are safety hazard hotspots. Second, employees are equipped with dust masks to avoid disease due to inhalation of dust. Ventilation is a top priority of workshop design and indoor humidity is maintained at 40% to 70%. Third, operators are equipped with earplugs as machining noise may put their health at risk. The noise received by workers are controlled below the limit determined by national regulations.

Environmental, Social and Governance Report 2016

Safety awareness and skill training is crucial in maintain a safe workplace. Training provided to manufacturing employees includes the "Cutter Operating Safety Guidelines", "Production Equipment Maintenance Practice", etc. Manufacturing employees receive factory-level, workshop-level and team-level safety training to acquire knowledge of safe operation. They must prove that they can operate machines safely before they are allowed to operate them.

The Group regularly organises fire drills and talks on fire safety. Evacuation maps are displayed at key locations at our operation sites.

The Group notices that sales ladies may suffer from varicose veins if they stand for too long. Sales ladies may also suffer from ergonomic problems if their posture is not correct. The Group reminds sales ladies of correct posture, and requires them to move goods in smaller batches. In case of injury, the Group requires the respective departments to keep a complete injury case record, which includes the location and date of incident, and how the incident happened. As such, the Group can monitor the injury rate and evaluate how we have performed in OHS. The Group has realised that the main reason for incidents is limited safety awareness and has applied preventive actions. In the future, the Group plans to enhance our safety training, ensure our safety management practices and guidelines are implemented, and reducing the frequency and magnitude of work injuries.

	Male	Female
Manufacturing Department	2	17
Sales Department	5	5
Other departments	2	1

Number of recordable incidents⁵ in 2016 by gender and nature of position

	Male	Female
Manufacturing Department	0.98	0.78
Sales Department	2.04	0.08
Other departments	0.59	0.15

Number of recordable incident rates (per 200,000 employee-hours)⁶ in 2016 by gender and nature of position

Employee training

The Group is committed to providing the right training to employees to enhance their skills. Most training for back-end employees and sales ladies are conducted through the e-learning platform. The e-learning platform helps the company to monitor and facilitate employee training progress. Each employee needs to complete 6 learning credits for each quarter. There are three categories of training on the e-learning platform. The first type is on-boarding training, which include regulations, position-specific instructions, awareness training to environmental awareness, fire safety, 5S management approach, etc. The second type is position-specific skill-based training, such as "Brand Image, Service and Sales" for the Sales Department. The third type is training for promotion and switching positions, which is arranged for specific employees based on appraisal results. Such training can be related to knowledge, skills and attitude.

⁵ Recordable incident refers to incidents of employee injury and occupational disease as a result of occupational activities or occupational-related activities. For such injuries, the Group will register cases with the Social Security Bureau, and considers them as recorded incidents for the Group. If the Social Security Bureau does not consider the case as an injury, the Group will be responsible for the medical expense.

⁶ The incident rate is calculated by this formula: (Number of recordable incidents ÷ total working hours × 200,000).

Environmental, Social and Governance Report 2016

For manufacturing employees, the Group provides offline training, which include fire safety, OHS, safety for special tasks, emergency response, quality and environmental management system, product knowledge, quality awareness, operation of intelligent equipment, etc.

Manufacturing Department	6.8 hours
Sales Department	6.5 hours
Other departments	23.2 hours
Group average	12.1 hours

Annual average hours of training received by department

Beautiful actions we take

To benefit the community, the Group strives to promote an ethical business environment for the lingerie industry and partners with industrial organisations to promote the development of the Chinese lingerie industry. The Group hopes that the overall performance of the industry can be raised to provide more healthy, trendy and quality products for Chinese women. At the same time, the Group is engaged in charitable activities. For many years, we have partnered with the China Women's Development Foundation to help ethnic minority women in poverty. In Hong Kong, the Group donated products to non-profit organisations during the year.

In 2016, the Group donated lingerie products worth HK\$10,341 to the Hong Kong Breast Cancer Foundation.

Operate ethically

The Group strives to promote an ethical business environment for the lingerie industry. The Group promises to act honestly and do not tolerate any acts of bribery. The "Commercial Anti-Corruption Agreement" outlines our zero-tolerance policy for bribery, and our procedure in any case of bribery. The Agreement is applicable to all our employees. Suppliers are required to sign the Agreement before the Group signs a formal procurement contract with them so that they endorse our anti-corruption policy. Our Internal Audit Department regularly checks that with all suppliers have signed the Agreement.

The Group has set up a "whistle-blowing" mailbox for any individuals to anonymously report bribery. According to our "Administrative Disciplinary Management Regulations", an employee is immediately dismissed if proven to be involved in a bribery case. If the employee has broken the law, he or she will be prosecuted and charged by the judiciary.

In 2016, no reports regarding bribery and other unethical acts were received. There were also no legal cases regarding corrupt practices brought against the Group or our employees.

Promoting the development of the Chinese lingerie industry

The Group is a member of various lingerie industry organisations. The Group has enhanced the overall quality of the industry and nurtured new talents through organising, supporting, and sponsoring different events. In 2016, the Group was members of 10 industry associations such as the Shenzhen Underwear Association, China Knitting Industrial Association, Shenzhen Garment Industry Association, Shenzhen Textile Industry Association and Shanghai Garment Trade Association.

Environmental, Social and Governance Report 2016

The Group is the chairing organisation of the Shenzhen Underwear Association. As the chairing organisation, the Group supports the Association to connect the industry, government and academia. In the last two years, the Association has introduced creative projects to incubate potential brands and facilitate the transformation and advancement of the industry. The establishment of the Shenzhen Shangyuan Underwear Maker Space and the Shenzhen Underwear Innovation Research and Development Centre are two examples.



China International Homewear Creation Design Competition

The Shenzhen Underwear Association has organised the China International Homewear Creation Design Competition for 4 consecutive years. The Group continued to be a title sponsor of the Competition. The objective of the Competition is to promote the idea of “enhancing quality of life with design”, and nurture more creative talents on homewear design, so as to promote the overall design standard of the homewear industry. After many years of development, this Competition has become a well-regarded contest inject vitality to homewear in China.

Ten years of the Blue Ribbon Charity Campaign

The Group has organised the “Blue Ribbon Charity Campaign” jointly with China Women’s Development Foundation for 10 consecutive years. The Campaign is a flagship charitable project in which the Group develops a new and correct approach to healthy living and beauty for Chinese women. In the last 10 years, the Group has visited 21 provinces and autonomous regions all over the country and has donated a total of nearly RMB43 million in kind over the years. The Group has supported women in poverty of various ethnic minorities, such as the Zhuang, Yao, Manchu, Miao, Dong, Korean, Mongolian, Tibetan, Dai and Qiang minorities.

The tenth anniversary of the Blue Ribbon Charity Campaign

In 2016, the Group partnered with the China Women’s Development Foundation to donate articles worth RMB6.1 million to women in need in Shenzhen, Shanghai, Shandong, Jiangsu, Liaoning, Shaanxi and Tianjin. As part of the Blue Ribbon Charity Campaign, we visited Qingmochuan Town, Shaanxi Province and Xinbin Manchu Autonomous County, Liaoning and made donations to Qiang and Manchu women. Blue Ribbon Volunteers, which include our employees, visited the homes of recipients to present them with the donations. Knowledge is the best charity. The Group also invited health specialists to transfer health knowledge.



Environmental, Social and Governance Report 2016

For 10 consecutive years, the flagship Blue Ribbon Charity Campaign has become a symbol of the Group's perseverance in giving back to society. Charity is a long-term commitment. As a renowned lingerie business, the Group will work with partners from different sectors to contribute to the cause.



Our volunteers visited women in poverty in Qingmuchuan Town.



Health specialists accompanied our volunteers to transfer health knowledge to minority women.

Stakeholder engagement and materiality analysis

We believe comments of our stakeholders will help us to evaluate our performance on environmental, social and governance aspects objectively and comprehensively. As part of our day-to-day operation, the Group engages our stakeholders through various channels to understand how we can do better on ESG aspects.

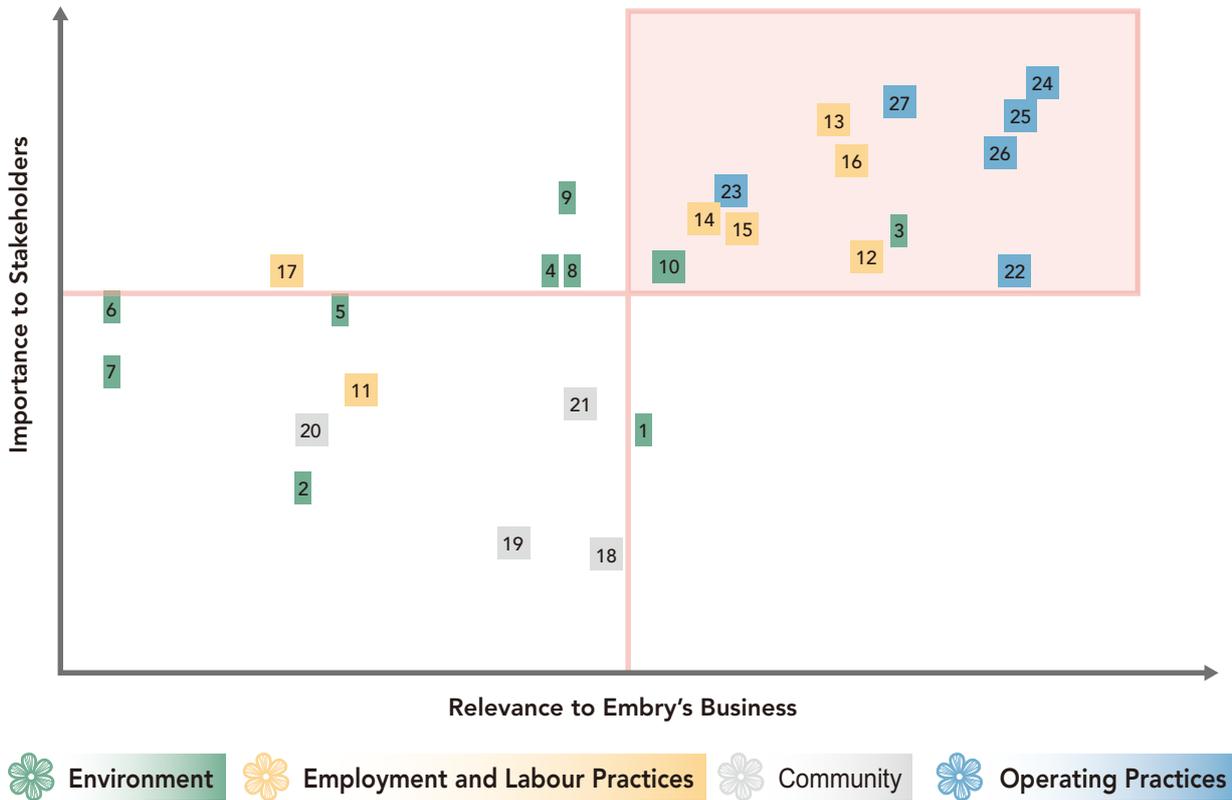
Since this is the first year of publishing an ESG Report, the Group has engaged an independent consultant to design and implement specific stakeholder engagement exercises and evaluate how we have impacted our stakeholders. The targeted stakeholders were employees, investors, customers, suppliers, shopping mall partners, community partners and industrial association representatives. They were engaged through online surveys, focus groups and individual interviews. Through an analysis of the stakeholder engagement findings, we summarise how our stakeholders understand and comment on our ESG performance, and their expectations for our future work.

Stakeholder engagement findings and discussion with senior management on the relevance of the ESG aspects to our business are two pillars of the materiality of the respective ESG aspects.

The following 13 aspects were identified as material aspects. The Group has already disclosed the management approach and performance in relation to these material aspects in the report.

Environmental, Social and Governance Report 2016

Environmental, Social and Governance Aspects Materiality Matrix for Embry



Number	Category	ESG aspects
3	Environment	Environmental impact of raw materials
10	Environment	Enhance environmental performance of suppliers
12	Employment and Labour Practices	Employee morale
13	Employment and Labour Practices	Occupational health and safety
14	Employment and Labour Practices	Training and development
15	Employment and Labour Practices	Child and forced labour
16	Employment and Labour Practices	Compliance with labour regulations
22	Operating Practices	Anti-corruption
23	Operating Practices	Selecting suppliers with good ESG performance
24	Operating Practices	Product quality assurance
25	Operating Practices	Service quality assurance
26	Operating Practices	Respecting intellectual property rights
27	Operating Practices	Protect personal information

The results of this analysis are a key foundation of this report. Also, comments from stakeholders are valuable to our future strategies.

Environmental, Social and Governance Report 2016

HKEx ESG Reporting Guide Index

HKEX's Environmental, Social and Governance Reporting Guide

Aspects, General Disclosures and Key Performance Indicators ("KPIs")

	Descriptions	Related chapters in this report	Remarks
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Realising our green dream (Page 25)	
KPI A1.1	The types of emissions and respective emissions data.		Our operation does not involve significant emission to the environment. The Group is therefore not reporting on this figure.
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Green operational sites (Page 26)	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).		Our operation does not involve generation of hazardous waste in significant quantities. The Group is therefore not reporting on this figure.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Green manufacturing (Page 28)	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Green operational sites (Page 26)	
KPI A1.6	Description of how hazardous and non-hazardous waste is handled, reduction initiatives and results achieved.	Green manufacturing (Page 28)	

Environmental, Social and Governance Report 2016

HKEX's Environmental, Social and Governance Reporting Guide

Aspects, General Disclosures and Key Performance Indicators ("KPIs")

Aspects, General Disclosures and Key Performance Indicators ("KPIs")	Descriptions	Related chapters in this report	Remarks
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Realising our green dream (Page 25)	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	Green operational sites (Page 26)	
KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	Green operational sites (Page 26)	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Green operational sites (Page 26)	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.		Our operation does not involve consumption of water in significant quantities. The Group does not have any issue in sourcing water. We do not have programs for enhancing water consumption efficiency, but we recycle landscaping water in our industrial parks.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Green manufacturing (Page 28)	
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Green operational sites (Page 26)	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our beautiful green industrial parks (Page 27) Green manufacturing (Page 28)	

Environmental, Social and Governance Report 2016

HKEX's Environmental, Social and Governance Reporting Guide

Aspects, General Disclosures and Key Performance Indicators ("KPIs")

	Descriptions	Related chapters in this report	Remarks
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our beautiful team (Page 29)	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Building a beautiful team (Page 31)	The Group considers a break down by gender and nature of position better reflects our demography.
KPI B1.2	Employee turnover rate by gender, age group and geographical region.		Our turnover rates for male and female employees are 6.79% and 8.79% respectively.
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational health and safety (Page 31)	
KPI B2.1	Number and rate of work-related fatalities.		There was no case of fatality in 2016.
KPI B2.2	Lost days due to work injury.	Occupational health and safety (Page 31)	The Group considers injury rates are better performance indicator than number of lost days.
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational health and safety (Page 31)	

Environmental, Social and Governance Report 2016

HKEX's Environmental, Social and Governance Reporting Guide

Aspects, General Disclosures and Key Performance Indicators ("KPIs")

Aspects, General Disclosures and Key Performance Indicators ("KPIs")	Descriptions	Related chapters in this report	Remarks
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee training (Page 32)	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).		All employees have received training provided by the Group.
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee training (Page 32)	
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Compliance with Labour Regulations (Page 29)	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Compliance with Labour Regulations (Page 29)	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Compliance with Labour Regulations (Page 29)	
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Rigorous quality control — Supplier management (Page 22)	
KPI B5.1	Number of suppliers by geographical region.	Rigorous quality control — Supplier management (Page 22)	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Rigorous quality control — Supplier management (Page 22)	

Environmental, Social and Governance Report 2016

HKEX's Environmental, Social and Governance Reporting Guide

Aspects, General Disclosures and Key Performance Indicators ("KPIs")

Aspects, General Disclosures and Key Performance Indicators ("KPIs")	Descriptions	Related chapters in this report	Remarks
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Beautiful craftsmanship (Page 21)	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		There was no case of product recall for safety and health reasons. The Group recalled around 20,000 goods of same batch due to quality reason in 2016 in accordance with our internal procedures.
KPI B6.2	Number of product and service related complaints received and how they are dealt with.	Our commitment to customers — Listening to our customers (Page 24)	The Group considers the complaint rate (the ratio of pieces of sold products associated to complaints made by customers and total number of products sold for the same period) a better indicator to number of complaints received. The complaint rate in 2016 was 0.0119%.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Respecting intellectual property rights (Page 25)	
KPI B6.4	Description of quality assurance process and recall procedures.	Rigorous quality control — Material testing (Page 23) Our commitment to customers — Listening to our customers (Page 24)	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our commitment to customers — Protecting customers' private information (Page 24)	

Environmental, Social and Governance Report 2016

HKEX's Environmental, Social and Governance Reporting Guide

Aspects, General Disclosures and Key Performance Indicators ("KPIs")

Aspects, General Disclosures and Key Performance Indicators ("KPIs")	Descriptions	Related chapters in this report	Remarks
Aspect B7: Anticorruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operate ethically (Page 33)	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operate ethically (Page 33)	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operate ethically (Page 33)	
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Beautiful actions we take (Page 33)	
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	Beautiful actions we take (Page 33)	
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	Beautiful actions we take (Page 33)	In 2016, our employees devoted 736 hours in total in volunteering.

Corporate Governance Report

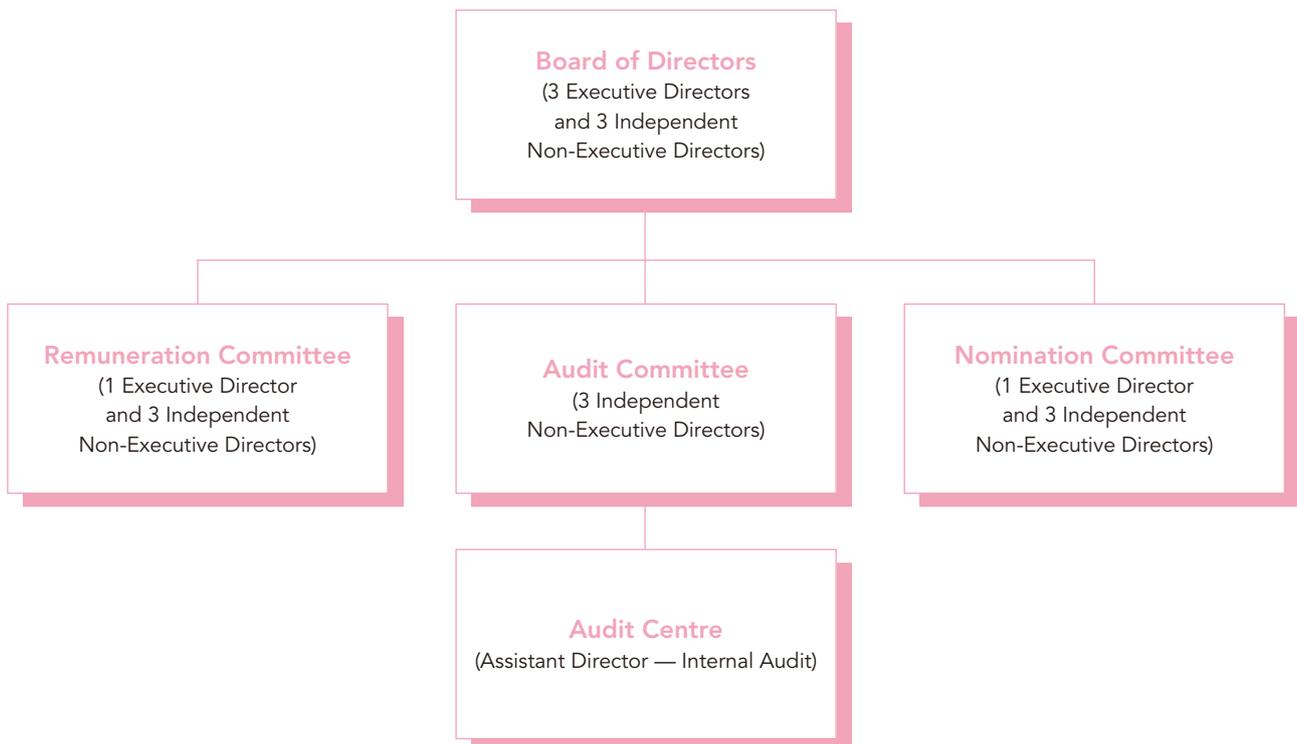
The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, sustainable business growth and enhancing shareholders' value.

The Company has adopted the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance practices.

In the opinion of the Directors, the Company had complied with all code provisions under the CG Code so far as they are applicable and a majority of the recommended best practices under the CG Code throughout the year ended 31 December 2016 (the "Review Period"), save for the following deviation:

The code provision E.1.2 stipulates that the chairman of the board of directors should attend the annual general meeting. Madam Ngok Ming Chu, the Chairman of the Board, was unable to attend the Company's annual general meeting held on 20 May 2016 due to other engagement. In view of her absence, Madam Ngok had arranged for other directors and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

Governance Structure



Corporate Governance Report

Directors

Board Composition

The Directors place great emphasis on the fiduciary nature of the Board's responsibilities and strive to be accountable to the shareholders of the Company as a whole.

A board diversity policy has been formulated by the Board setting out the approach to maintaining a Board with a diversity of directors. The Company recognises the benefits of diversity at the Board level as an essential element in supporting its sustainable development. All Board appointments will continue to be based on meritocracy with due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, 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 Board currently comprises three Executive Directors, namely Madam Ngok Ming Chu (Chairman), Ms. Cheng Pik Ho Liza (Chief Executive Officer) and Ms. Lu Qun; and three Independent Non-Executive Directors, namely Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T. S. The number of Independent Non-Executive Directors represents more than one-third of the Board. The biographical details of and relationships among the members of the Board are disclosed under the section headed "Directors and Senior Management" on pages 18 to 20 of this annual report.

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership as all the Executive Directors possess extensive experience in management and the design, production and marketing of lingerie products while the three Independent Non-Executive Directors possess professional knowledge and broad experience in finance, law and management respectively. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the shareholders and the Company.

Appointment, Re-election and Removal of Directors

Article 108 (A) of the articles of association of the Company provides that one-third of the Directors for the time being, or, if their number is not three or multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years at the Company's annual general meeting and shall be eligible for re-election. Under Article 105, the office of a Director of the Company is liable to be vacated in certain circumstances and the Company may remove any Director of the Company by an ordinary resolution at a general meeting as prescribed in Article 114.

The appointment of new Directors and nomination of Directors for re-election at annual general meetings are first considered by the Nomination Committee. The recommendations of the Nomination Committee will then be put to the Board for decision. New Directors appointed by the Board are subject to re-election by shareholders at the next following annual general meeting pursuant to the articles of association of the Company. In considering the appointment of new Directors, the Nomination Committee will assess the candidate according to the criteria set out in Rules 3.08 and 3.09 of the Listing Rules. In the case of a candidate for an Independent Non-Executive Director, he/she should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Corporate Governance Report

Executive Directors

The Executive Directors, Madam Ngok Ming Chu, Ms. Cheng Pik Ho Liza and Ms. Lu Qun, have each entered into a service agreement with the Company for a fixed term of two years. Each Executive Director is entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the Executive Directors for any financial year of the Company shall not exceed 8% of the audited consolidated net profit of the Group (after taxation and non-controlling interests and payment of such bonuses) for that financial year of the Company. An Executive Director shall not vote on any resolution of the Directors regarding the amount of the management bonus payable to her.

Independent Non-Executive Directors

Each of the Independent Non-Executive Directors was appointed for a term of two years with a formal letter of appointment setting out the key terms and conditions of his appointment.

Save for the directors' fees, none of the Independent Non-Executive Directors is expected to receive any other remuneration for holding his office as an Independent Non-Executive Director.

The Company annually assesses the independence of each Independent Non-Executive Director during his term of appointment. In January and February 2017, the Company received from each of the Independent Non-Executive Directors a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers all the Independent Non-Executive Directors are independent.

Proceedings of Board Meetings and Board Committee Meetings

The Board considers that all meetings should be legally and properly convened. The Chairman of the Board takes the lead to ensure that Board meetings and Board committee meetings are convened in accordance with the requirements set out in the articles of association of the Company, the terms of reference of the respective Board committees and the Listing Rules.

In convening Board meetings, the Chairman is responsible for drawing up and approving the agenda for each meeting after consultation with all the Directors and the Company Secretary. Prior notice of each regular Board meeting is given to all the Directors at least 14 days in advance and the Directors are invited to include matters for discussion in the agenda. Agenda and accompanying Board papers are sent to all the Directors at least 3 days (or such other period as agreed) prior to meetings.

Board meetings are held at least four times a year. In addition, special Board meetings are held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of all the Directors.

Dates of regular Board meetings are scheduled in advance to provide sufficient notice to give all the Directors an opportunity to attend. For special Board meetings, reasonable notice is given.

The Directors have access to the advice and services of the Company Secretary to ensure that Board procedures and all applicable rules and regulations are followed.

The minutes of Board meetings record in sufficient detail the matters considered by the Board, including all concerns raised by the Directors and dissenting views expressed. The minutes of all Board meetings and Board committee meetings are available for inspection by any Director, auditor or any relevant eligible parties who can have access to such minutes.

Corporate Governance Report

Directors' Attendance Records

The record of attendance of individual Directors at the Board meetings, Board committee meetings and annual general meeting held during 2016 is set out in the following table:

Directors	Board	Number of Meetings Attended/Held			Annual General Meeting
		Audit Committee	Nomination Committee	Remuneration Committee	
Executive Directors					
Ngok Ming Chu (<i>Chairman</i>)	7/7	N/A	N/A	N/A	0/1
Cheng Pik Ho Liza (<i>Chief Executive Officer</i>)	7/7	N/A	1/1	2/2	1/1
Lu Qun	7/7	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Lau Siu Ki	7/7	3/3	1/1	2/2	1/1
Lee Kwan Hung	7/7	3/3	1/1	2/2	1/1
Lee T. S.	7/7	3/3	1/1	2/2	1/1
Average Attendance Rate	100%	100%	100%	100%	83.3%

In addition, the Chairman met once with the Independent Non-Executive Directors without the presence of the Executive Directors during the Review Period.

Directors' and Officers' Liability Insurance

The Company has subscribed an insurance policy with an aim to indemnify its Directors and senior executives from any losses, claims, damages, liabilities and expenses arising from, including but not limited to, any proceedings brought against them during the performance of their duties pursuant to their respective service agreements entered into with the Company.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") (with certain modifications but on terms no less exacting than the required standard set out in the Model Code) as set out in Appendix 10 to the Listing Rules as its own code ("Securities Dealing Code") to regulate the securities dealings by all the Directors and relevant employees of the Group.

The Company made specific enquiry of all the Directors and members of the senior management who confirmed that they complied with the Securities Dealing Code during the Review Period.

Continuous Professional Development

Pursuant to the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant.

During the Review Period, all Directors received regular briefings and updates on the Group's business, operations, internal controls and corporate governance matters. Relevant reading materials were provided to the Directors. They also attended courses and seminars organised by external professional bodies on topics relevant to the duties and responsibilities of a director during the Review Period. All Directors have provided the Company with their respective training records pursuant to the CG Code.

Corporate Governance Report

Procedure for Seeking Independent Professional Advice by Directors

There is a written procedure agreed by the Board to enable Directors, upon reasonable request, to seek and be provided with independent professional advice in appropriate circumstances, at the Company's expense in order to assist them to discharge their duties to the Company.

Functions of the Board

Distinctive Roles of the Chairman and the Chief Executive Officer

To avoid concentration of power in any one individual, a clear division of responsibilities between the Chairman and the Chief Executive Officer is crucial to the effective running of the Board and the day-to-day management of the Group's businesses. The positions of the Chairman and the Chief Executive Officer of the Company are held by two different Executive Directors, namely Madam Ngok Ming Chu and Ms. Cheng Pik Ho Liza respectively. Their roles and duties are segregated, with a clear division of responsibilities. Madam Ngok Ming Chu, the Chairman, is to provide leadership for the Board and ensure that the Board works effectively while Ms. Cheng Pik Ho Liza, the Chief Executive Officer, is answerable to the Board for the operations of the Group. Madam Ngok is the mother of Ms. Cheng.

Distinctive Roles of the Board and the Management

While at all times the Board retains full responsibility for guiding and monitoring the operations of the Group, in discharging its duties, certain responsibilities are delegated to:

- the standing Board committees of the Company namely: the Audit Committee, the Nomination Committee and the Remuneration Committee. Each committee's constitution, powers and duties are clearly defined by its terms of reference, and the committees are accountable to the Board. Ad hoc Board committees may also be established as required from time to time by the Board;
- the Chief Executive Officer, being delegated with the day-to-day management of the businesses of the Group, is accountable to the Board; and
- the senior management team of the Group, being delegated with the responsibilities to deal with daily operational functions, is answerable to the Executive Directors.

The Board believes that effective delegation of authority can ensure that the Board is provided with sufficient and timely information of the Group's businesses which is, in particular, relevant to the Group's performance, financial position and operating results, in order that the Board is able to make an informed assessment of matters put before the Board for approval. During the Review Period, each Executive Director had frequent meetings with operational managers in order to maintain an effective feedback system and enable the Company to react to changes or problems quickly and effectively.

The functions reserved to the Board are formalized in writing and include:

- any matters relating to the formulation of the Company's strategy and direction;
- any matters relating to financial controls, compliance and risk management;
- any changes in corporate structure such as the changes relating to the Company's capital structure, including share buy-back or issue of new securities;

Corporate Governance Report

- major appointments such as appointments to the Board, after taking into account the recommendations of the Nomination Committee; the appointment of the Chairman and the Chief Executive Officer; recommendations to the shareholders on the appointment or removal of external auditor after taking into consideration the recommendations of the Audit Committee; and the appointment or removal of the Chief Financial Officer and the Company Secretary;
- any matters determined by the Board to be material, including dividend policy, significant changes in accounting policies, material contracts, major financing arrangements and major investments; and
- the corporate governance functions set out in the code provision D.3.1 of the CG Code.

With respect to the corporate governance functions, the Board has reviewed and monitored the Company's corporate governance policies and practices, the training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The Board regularly reviews its arrangement for delegation of authority to ensure that such delegation is appropriate in view of the Company's prevailing circumstances and that appropriate reporting systems are in place.

Board Committees

A total of three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, have been formed, each of which is delegated with specific roles and responsibilities by the Board. All the Board committees follow the same principles and procedures as those of the Board. The Board receives the minutes of each committee meeting on a regular basis, including their decisions and recommendations.

Audit Committee

At present, the Audit Committee consists of three Independent Non-Executive Directors, namely:

Mr. Lau Siu Ki (*Chairman*)

Mr. Lee Kwan Hung

Prof. Lee T. S.

Members of the Audit Committee are appointed by the Board among the Independent Non-Executive Directors and the committee consists of not less than three members. The Board considers that each Audit Committee member has broad commercial experience and together form a suitable mix of expertise in the legal and accounting fields and that the composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. The Board, after consultation with the chairman of the Audit Committee, provides sufficient resources to the Audit Committee to enable it to discharge its duties.

Corporate Governance Report

The Audit Committee has the responsibilities and powers set forth in its terms of reference. To maintain its independence, the Audit Committee is required to have at least one meeting with the external auditor without the presence of Executive Directors within a financial year. The function of the committee is to provide assistance to the Board in fulfilling its oversight responsibilities to shareholders, potential shareholders, the investment community and other stakeholders relating to:

- the integrity of accounts and financial reporting process of the Company;
- the assessment of the external auditor's qualifications and independence;
- the performance of the Company's internal audit function and the performance of the external auditor; and
- the effectiveness of the risk management and internal control systems of the Company.

The terms of reference of the Audit Committee are available on the Company's website and the Stock Exchange's website.

During the Review Period, the Audit Committee held three meetings including one meeting with the external auditor without the presence of the Executive Directors and the management. The record of attendance of individual Directors at the committee meetings is set out on page 46 of this annual report.

The following is a summary of the work performed by the Audit Committee during the Review Period:

- (i) review of the annual report and results announcement of the Company for the year ended 31 December 2015, with a recommendation to the Board for approval;
- (ii) review of the external auditor's independence and their report, with a recommendation to the Board for the re-appointment of the external auditor by the shareholders of the Company at its 2016 annual general meeting;
- (iii) review of continuing connected transactions;
- (iv) review of the interim report and results announcement of the Company for the six months ended 30 June 2016, with a recommendation to the Board for approval;
- (v) review of quarterly financial reports of the Company prepared by the Finance and Accounts Department;
- (vi) consideration of audit and non-audit services provided by the external auditor;
- (vii) review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries;
- (viii) review of periodic reports prepared by the Audit Centre;
- (ix) review of the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions, and their training programmes and budget; and
- (x) review of the audit fees payable to the external auditor for the year ended 31 December 2016, with a recommendation to the Board for approval.

Corporate Governance Report

Auditor's Remuneration

The Audit Committee has reviewed the remuneration paid/payable to Messrs. Ernst & Young, the external auditor of the Company, for the following services provided during the Review Period:

Services Rendered	Remuneration Paid/Payable
Audit services	HK\$2,980,000
Non-audit services	HK\$1,150,000
Total:	HK\$4,130,000

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditor is reasonable. There has been no major disagreement between the auditor and the management of the Company during the Review Period.

Nomination Committee

At present, the Nomination Committee has four members comprising one Executive Director and three Independent Non-Executive Directors, namely:

Prof. Lee T. S. (*Chairman*)
 Ms. Cheng Pik Ho Liza
 Mr. Lau Siu Ki
 Mr. Lee Kwan Hung

The main functions of the Nomination Committee are to review the structure, size and composition of the Board, to identify individuals who are suitably qualified to become Directors, and to assess the independence of the Independent Non-Executive Directors. After considering the independence and qualifications of nominees, the Nomination Committee makes recommendations to the Board so as to ensure that all nominations are fair and transparent. The Nomination Committee is also responsible for reviewing the succession planning of Directors, in particular the Chairman and the Chief Executive Officer. The Board, after consultation with the chairman of the Nomination Committee, provides sufficient resources to the Nomination Committee to enable it to discharge its duties.

The Nomination Committee held one meeting in 2016. The record of attendance of individual Directors at the committee meeting is set out on page 46 of this annual report.

The following is a summary of the work performed by the Nomination Committee during the Review Period:

- (i) assessment of the independence of the Independent Non-Executive Directors;
- (ii) recommendation to the Board on the re-election of Directors; and
- (iii) review of the existing structure, size and composition of the Board.

As a good corporate governance practice, Nomination Committee member (being also the Independent Non-Executive Director) abstained from assessing his own independence.

The terms of reference of the Nomination Committee are available on the Company's website and the Stock Exchange's website.

Corporate Governance Report

Remuneration Committee

At present, the Remuneration Committee has four members comprising one Executive Director and three Independent Non-Executive Directors, namely:

Mr. Lee Kwan Hung (*Chairman*)
 Ms. Cheng Pik Ho Liza
 Mr. Lau Siu Ki
 Prof. Lee T. S.

The main functions of the Remuneration Committee are to assist the Board in establishing a formal and transparent procedure for setting policy on Directors' and senior management's remuneration and to make recommendation to the Board on the packages (which include benefits in kind, pension rights and compensation payments) of individual Executive Directors and senior management (i.e. the model described in code provision B.1.2(c)(ii) of the CG Code was adopted) as well as on the remuneration of Non-Executive Directors. The Board, after consultation with the chairman of the Remuneration Committee, provides sufficient resources to the Remuneration Committee to enable it to discharge its duties.

In recommending the remuneration of the Directors, the Remuneration Committee makes reference to companies of comparable business or scale, and the nature and volume of work in order to compensate the Directors reasonably for their time and efforts spent. The Remuneration Committee regularly reviews and makes recommendations to the Board on the remuneration of Directors and senior management.

The Remuneration Committee held two meetings in 2016. The record of attendance of individual Directors at the committee meetings is set out on page 46 of this annual report.

The following is a summary of the work performed by the Remuneration Committee during the Review Period:

- (i) review of the salary increment for 2016 of Executive Directors and staff in Mainland China and Hong Kong, with a recommendation to the Board for approval;
- (ii) recommendation to the Board on the payment of bonuses to the senior management staff in Mainland China;
- (iii) recommendation to the Board on the payment of discretionary bonuses to the Executive Directors and the senior management in respect of the final results of the Company for the year ended 31 December 2015 and the interim results of the Company for the six months ended 30 June 2016;
- (iv) review of the new service agreement between the Company and the Chairman of the Company, with a recommendation to the Board for approval;
- (v) review of the consultancy agreement between the Company and the former Chairman of the Company, with a recommendation to the Board for approval; and
- (vi) review of the letters of re-appointment of the Independent Non-Executive Directors, with a recommendation to the Board for approval.

As a good corporate governance practice, Remuneration Committee member (being also the Independent Non-Executive Director) had not involved in reviewing his own letter of re-appointment.

Corporate Governance Report

The terms of reference of the Remuneration Committee are available on the Company's website and the Stock Exchange's website.

Pursuant to code provision B.1.5 of the CG Code, details of the annual remuneration of the members of the senior management by band for the year ended 31 December 2016 is as follows:

	Number of employees
HK\$1,000,001 to HK\$1,500,000	1
HK\$1,500,001 to HK\$2,000,000	0
HK\$2,000,001 to HK\$2,500,000	0
HK\$2,500,001 to HK\$3,000,000	1
	2

Details of the remuneration of each director for the year ended 31 December 2016 are set out in note 10 to the financial statements.

Financial Reporting

The Board acknowledges its responsibility for the preparation of the financial statements for each financial period, which shall give a true and fair view of the state of affairs of the Company. During the Review Period, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

All the Directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 117 to 123 of this annual report.

The Company announces its interim and annual results as soon as reasonably practicable after the end of the relevant financial period and the financial year respectively pursuant to the requirements of the Listing Rules, disclosing all such information as would enable the Company's shareholders to assess the performance, financial position and prospects of the Company.

Risk Management and Internal Control

The Board acknowledges that it is responsible for establishing and maintaining appropriate risk management and internal control systems of the Group and reviewing their effectiveness. Risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has established comprehensive policies and procedures in areas of operational, financial and risk controls.

Corporate Governance Report

The Group has an internal audit function. The Audit Centre of the Group conducts reviews of the effectiveness of the Group's risk management and internal control systems. It carries out the financial, operational, project management and information security control reviews according to the yearly plan reviewed and endorsed by the Audit Committee. In addition to the agreed schedule of work, the Audit Centre conducts other reviews and work as and when required. The management, in coordination with the Audit Centre, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. Findings and recommendations are reported regularly to members of the Audit Committee and the Board.

During the Review Period, the management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems and the Board had conducted a review of its risk management and internal control systems of the Group under code provision C.2.1 and considered them effective and adequate without the occurrence of any significant failure.

The Audit Centre of the Group continued to provide independent assurance to the Board and management on the adequacy and effectiveness of the risk management and internal control systems for the Group during the Review Period. The Assistant Director of Audit Centre reports functionally to the Audit Committee and administratively to the Chief Executive Officer.

The Board undertakes to periodically review the risk management and internal control systems of the Group to ensure their effectiveness and efficiency.

The Board reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions, and their training programmes and budget during the Review Period and considered that the Group had adequate staff resources with the competence, qualifications and experience necessary for the effective performance of its accounting, internal audit and financial reporting functions.

A whistleblowing policy has been formulated with a view to providing a mechanism for employees of the Group to raise concerns about the possible improprieties in financial reporting, internal control or other matters. Internal procedures are put in place whereby employees of the Group can report possible risks and inside information identified in daily operation to the Board. Furthermore, the Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Company Secretary

Ms. So Ka Man of Tricor Services Limited, external service provider, has been engaged by the Company as its Company Secretary. The primary contact person at the Company, whom Ms. So can contact, is Ms. Katie Fung, the Chief Financial Officer of the Company.

During the Review Period, Ms. So has taken no less than 15 hours of relevant professional training to update her skills and knowledge.

Corporate Governance Report

Investor Relations and Communication with Shareholders

The Company has engaged a professional public relations consultancy company to organise various investor relations programs (including regular briefing meetings with the media and analysts) aiming at increasing the transparency of the Company, enhancing communication with shareholders and investors, increasing their understanding of and confidence in the Group's businesses and promoting market recognition of and support to the Company.

The Company recognises the importance of maintaining on-going communications with its shareholders and encourages them to attend shareholders' meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

Shareholders' Rights

Convening an Extraordinary General Meeting of the Company by Shareholders

In accordance with Article 64 of the articles of association of the Company, an extraordinary general meeting can be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition.

Procedures for Sending Enquiries to the Board

Enquiries by shareholders to be put to the Board can be sent in writing to the Company's Company Secretarial Department at the principal place of business in Hong Kong.

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the Company's registered shareholders can contact the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited. For other enquires or requests, the Company's investors can contact iPR Ogilvy Limited, the Company's investor relations consultancy company. Detailed contact information is available on the Company's website at www.embrygroup.com.

Procedures for Making Proposals at Shareholders' Meetings

If a shareholder of the Company wishes to nominate a person to stand for election as a Director, the following documents must be validly sent to the Company's principal place of business in Hong Kong or the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, namely (i) his/her notice of intention to propose a resolution at the general meeting; and (ii) a notice executed by the nominated candidate of the candidate's willingness to be appointed. The period for lodgment of the notices of (i) and (ii) above will commence no earlier than the day after the despatch of the notice of the general meeting and end no later than seven days prior to the date of such meeting.

To put forward proposals other than the above at a general meeting, shareholders of the Company should submit a written notice of those proposals with their detailed contact information to the Company Secretary at the Company's principal place of business in Hong Kong. The notice period to be given to all the shareholders for consideration of the proposal raised by the shareholders concerned at general meetings varies according to the nature of the proposal.

During the Review Period, the Company has not made any changes to its articles of association. An up-to-date version of the articles of association of the Company is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the articles of association for further details of the rights of shareholders.

Report of the Directors

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

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 37 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2016 and the Group's financial position at that date are set out in the financial statements on pages 124 to 196.

An interim dividend of HK2.5 cents per ordinary share was paid on 6 October 2016. The directors recommend a final dividend of HK4.3 cents per ordinary share in respect of the year, to shareholders on the register of members on 6 June 2017. The proposed final dividend will be paid in the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements. Details of dividends are set out in note 14 to the financial statements.

Summary Financial Information

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

Results

	2016 HK\$'000	Year ended 31 December			
		2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
REVENUE	2,216,082	2,535,818	2,383,127	2,234,763	1,995,356
PROFIT BEFORE TAX	158,447	298,588	268,557	273,663	260,614
INCOME TAX EXPENSE	(60,045)	(97,014)	(80,464)	(75,294)	(77,052)
PROFIT FOR THE YEAR	98,402	201,574	188,093	198,369	183,562
Attributable to:					
Owners of the Company	98,402	201,574	188,093	198,369	183,562

Assets and Liabilities

	2016 HK\$'000	As at 31 December			
		2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
TOTAL ASSETS	2,495,379	2,508,835	2,409,264	2,151,480	1,901,395
TOTAL LIABILITIES	(775,892)	(718,012)	(664,699)	(523,234)	(464,159)
	1,719,487	1,790,823	1,744,565	1,628,246	1,437,236

The above summary does not form part of the audited financial statements.

Report of the Directors

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 28 and 29 to the financial statements, respectively.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Distributable Reserves

At 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK\$855,707,000, of which HK\$17,916,000 has been proposed as final dividend for the year after the reporting period. The amount of HK\$855,707,000 includes the Company's share premium account and contributed surplus of HK\$750,892,000 in aggregate at 31 December 2016, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Charitable Contributions

During the year, the Group made charitable contributions totalling HK\$7,274,000 (2015: HK\$6,753,000).

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the total sales and purchases for the year, respectively.

None of the directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Directors

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

Executive Directors

Madam Ngok Ming Chu (*Chairman*)

Ms. Cheng Pik Ho Liza (*Chief Executive Officer*)

Ms. Lu Qun

Independent Non-Executive Directors

Mr. Lau Siu Ki

Mr. Lee Kwan Hung

Prof. Lee T. S.

Report of the Directors

Directors *(continued)*

In accordance with article 108 of the Company's articles of association, Mr. Lau Siu Ki and Prof. Lee T. S. will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("AGM").

The Company has received annual confirmations of independence from Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T. S. pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), and as at the date of this report, still considers them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 18 to 20 of the annual report.

Permitted Indemnity Provision

Pursuant to the Company's articles of association, subject to the applicable laws, every director 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 he/she may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his/her office. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Company.

Directors' Service Contracts

Madam Ngok Ming Chu, Ms. Cheng Pik Ho Liza and Ms. Lu Qun, have each entered into a service agreement with the Company for a term of two years commencing on 25 March 2016, 1 December 2015 and 2 February 2017, respectively.

Each of the independent non-executive directors has been appointed for a term of two years commencing on 25 November 2016.

Under the service agreement, after each complete year of service, the remuneration payable to each of the executive directors may, subject to the discretion of the Company's board of directors, be increased by not more than 10% and the executive directors are entitled to a discretionary management bonus provided that the total amount of bonuses payable to all the executive directors for that year shall not exceed 8% of the audited consolidated profit after tax of the Group.

Apart from the foregoing, no director proposed for re-election at the AGM 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.

Emolument Policy and Directors' Remuneration

The Group's emolument policy is formulated based on the performance of individual employees and is reviewed regularly. Subject to the Group's profitability, the Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group. The primary goal of the emolument policy with regard to the remuneration packages of the Group's executive directors is to enable the Group to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved.

Report of the Directors

Emolument Policy and Directors' Remuneration *(continued)*

The principal elements of the Group's remuneration packages include basic salaries, discretionary bonuses and housing benefits.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Directors' Interests in Transactions, Arrangements or Contracts

Save for transactions as disclosed in note 13 to the financial statements, no director nor a connected entity of a 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, its holding company or any of its subsidiaries was a party during the year.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

At 31 December 2016, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning 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"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Madam Ngok Ming Chu	Interest of controlled corporations	274,071,190 (Note 1)	65.78
	Beneficial owner	2,302,000	0.55
	Interest of spouse	2,131,000 (Note 2)	0.51
Ms. Cheng Pik Ho Liza	Beneficial owner	26,616,215	6.39
Mr. Lau Siu Ki	Beneficial owner	768,000	0.18
Mr. Lee Kwan Hung	Beneficial owner	532,000	0.13
Prof. Lee T. S.	Beneficial owner	604,000	0.14

Report of the Directors

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares *(continued)*

Notes:

1. These shares are held as to 272,800,000 shares by Harmonious World Limited ("Harmonious World") and as to 1,271,190 shares by Fairmout Investments Limited ("Fairmout Investments"). Harmonious World is owned as to 40.91% by Madam Ngok Ming Chu and as to 59.09% by Mr. Cheng Man Tai. Fairmout Investments is owned as to 50% by Madam Ngok Ming Chu and as to 50% by Mr. Cheng Man Tai. Mr. Cheng Man Tai is the spouse of Madam Ngok Ming Chu.
2. Madam Ngok Ming Chu is deemed to be interested in the shares personally held by her spouse, Mr. Cheng Man Tai, pursuant to Part XV of the SFO.

Long positions in ordinary shares of an associated corporation:

Name of director	Name of associated corporation	Relationship with the Company	Number of shares	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Madam Ngok Ming Chu	Harmonious World	Ultimate holding company	40.09 shares of US\$1 each	Beneficial owner	40.91

Save as disclosed above, as at 31 December 2016, none of the directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded 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

Save as disclosed in the section "Share Option Scheme" below, 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 of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share Option Scheme

Details of the Share Option Scheme and the share option movements during the year are disclosed in note 29 to the financial statements.

Report of the Directors

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

At 31 December 2016, the following interests of 5% or more of the issued share capital of the Company (other than the interests of the directors of the Company as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Mr. Cheng Man Tai	Interest of controlled corporations	274,071,190 (Note 1)	65.78
	Beneficial owner	2,131,000	0.51
	Interest of spouse	2,302,000 (Note 2)	0.55
Harmonious World	Beneficial owner	272,800,000 (Note 3)	65.47
FIL Limited	Investment manager	37,520,000	9.00

Notes:

- These shares are held as to 272,800,000 shares by Harmonious World and as to 1,271,190 shares by Fairmout Investments. The relationships among Mr. Cheng Man Tai, Madam Ngok Ming Chu, Harmonious World and Fairmout Investments are disclosed under the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above.
- Mr. Cheng Man Tai is deemed to be interested in the shares personally held by his spouse, Madam Ngok Ming Chu, pursuant to Part XV of the SFO.
- The relationship between Harmonious World, Mr. Cheng Man Tai and Madam Ngok Ming Chu is disclosed under the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above.

Save as disclosed above, as at 31 December 2016, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Sufficiency of Public Float

Based on the 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.

Report of the Directors

Continuing Connected Transactions

During the year, the Group had the following continuing connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

(1) Purchase of furniture and decoration services

On 22 December 2014, the services agreement which was entered into between the Company, certain subsidiaries of the Group and the related companies in relation to the purchase of furniture and services of decoration for counters and shops as well as different types of moulds on 21 December 2011 had been further renewed for another term of three years commencing on 1 January 2015 after the expiry of the second term. The related companies are controlled by a close family member of a substantial shareholder and two executive directors of the Company. Further details were disclosed in the Company's announcement dated 22 December 2014.

The continuing connected transactions contemplated under the services agreement would only be subject to the reporting, annual review and announcement requirements and are exempt from the independent shareholders' approval requirement under the Listing Rules.

(2) Lease of industrial premises

During the year, a subsidiary of the Company entered into a tenancy agreement with a related company in relation to the lease of industrial premises in Changzhou for a term of one year commencing on 10 April 2016. The related company is controlled by an executive director of the Company and the close family members of a substantial shareholder and two executive directors of the Company.

The continuing connected transaction under the tenancy agreement constitutes a de minimis transaction under the Listing Rules and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

(3) Lease of warehouse

A subsidiary of the Company has been leasing a warehouse in Hong Kong from an executive director of the Company. The continuing connected transaction under the tenancy agreement constitutes a de minimis transaction under the Listing Rules and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

(4) Consultancy fee

A substantial shareholder who is the spouse of an executive director of the Company has been re-engaged as a consultant of the Company for a term of one year with effect from 25 March 2016. The continuing connected transaction under the consultancy agreement also constitutes a de minimis transaction under the Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

Details of the above continuing connected transactions of the Group are set out in note 13(a) to the financial statements.

Report of the Directors

Continuing Connected Transactions *(continued)*

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors have reviewed the continuing connected transactions disclosed in (1) above and confirmed that the continuing connected transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The total amount in respect of the continuing connected transactions disclosed in (1) above during the year under review has not exceeded the annual cap for the transactions.

In respect of the continuing connected transactions disclosed above, the directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year under review.

The Company has also received a letter from Ernst & Young, the Company's auditor, 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 the letter containing their findings and conclusions in respect of the continuing connected transactions disclosed in (1) above in accordance with Rule 14A.56 of the Listing Rules confirming that nothing has come to their attention that causes them to believe the continuing connected transactions:

- (i) have not been approved by the Company's board of directors;
- (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iii) have exceeded the maximum aggregate annual cap disclosed in previous announcement of the Company.

Report of the Directors

Business Review

The business review of the Group for the year ended 31 December 2016 is provided in the sections "Financial Highlights", "Chairman's Statement", "Management Discussion and Analysis" and "Environmental, Social and Governance Report" set out on the front page, pages 3 to 5, pages 7 to 15 and pages 21 to 42 respectively of this annual report. For environmental policies and performance, compliance with the relevant laws and regulations, and a description of relationships with key stakeholders, please refer to pages 21 to 42 of this annual report.

Auditor

Ernst & Young retire and a resolution for the re-appointment as auditor of the Company will be proposed at the AGM.

On behalf of the Board

Ngok Ming Chu
Chairman

Hong Kong, 23 March 2017

Independent Auditor's Report

獨立核數師報告



To the shareholders of Embry Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Embry Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 124 to 196, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKASAs") 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.

致：安莉芳控股有限公司全體股東
(於開曼群島註冊成立之有限公司)

意見

本核數師(以下簡稱「我們」)已審計列載於第124頁至第196頁的安莉芳控股有限公司(「貴公司」)及其附屬公司(「貴集團」)的綜合財務報表，此綜合財務報表包括於二零一六年十二月三十一日的綜合財務狀況表與截至該日止年度的綜合收益表、綜合全面收益表、綜合權益變動表及綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，該等綜合財務報表已根據香港會計師公會頒佈的《香港財務報告準則》真實而中肯地反映 貴集團於二零一六年十二月三十一日的綜合財務狀況及截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港《公司條例》的披露規定妥為擬備。

意見的基礎

我們已根據香港會計師公會頒佈的《香港審計準則》進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計綜合財務報表承擔的責任」部分中作進一步闡述。根據香港會計師公會頒佈的《專業會計師道德守則》(「守則」)，我們獨立於 貴集團，並已履行守則中的其他專業道德責任。我們相信，我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

Independent Auditor's Report (Continued)

獨立核數師報告 (續)

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
<p>Inventory provision</p> <p>As at 31 December 2016, the Group had net inventories of HK\$659,347,000, representing 66% and 26% of current assets and total assets, respectively. The estimation of the inventory provision requires significant management judgement, which includes the recoverability of the cost of inventories, the nature and condition of inventories, the marketability of finished goods and the future usage of raw materials.</p> <p>Related disclosures are included in notes 3, 9 and 19 to the financial statements.</p>	<p>We tested the ageing analysis of the Group's inventories. We recalculated the inventory provision under the Group's policy and assessed the assumptions being used in the inventory provision calculation by reviewing the basis, the rationale and the consistency of the inventory provision policy, considering the historical and current inventory ageing information and taking into account the historical sales pattern of aged inventories.</p>

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在我們審計整體綜合財務報表及出具意見時進行處理的。我們不會對這些事項提供單獨的意見。就下列各事項而言，我們是在該背景下提供我們在審計中處理該事項的方式。

我們已經履行了本報告「核數師就審計綜合財務報表承擔的責任」部分所述的責任，包括與該等事項的責任。因此，我們的審計包括執行程序，以應對我們對綜合財務報表重大錯誤陳述風險的評估。我們的審計程序(包括處理以下事項而採取的程序)的結果，為我們對隨附的綜合財務報表所發表的審計意見提供基礎。

關鍵審計事項	我們的審計如何處理關鍵審計事項
<p>存貨撥備</p> <p>於二零一六年十二月三十一日，貴集團的淨存貨為659,347,000港元，分別相當於流動資產及總資產的66%及26%。庫存準備的估計需要管理層作出重大判斷，包括存貨成本的可收回性、存貨的性質和狀況，製成品的市場和原材料的未來使用情況。</p> <p>相關披露已載於財務報表附註3、9及19。</p>	<p>我們已測試貴集團存貨的年期分析。我們根據貴集團的政策重新計算存貨撥備，並通過審查存貨撥備政策的基礎、理由和一致性，評估存貨撥備計算中假設，考慮到歷史和當前存貨的年期資料，並計入陳舊存貨的歷史銷售模式。</p>

Independent Auditor's Report (Continued)

獨立核數師報告 (續)

Key audit matters (continued)

關鍵審計事項 (續)

Key audit matter	How our audit addressed the key audit matter	關鍵審計事項	我們的審計如何處理關鍵審計事項
<p>Fair value estimation of investment properties</p> <p>As at 31 December 2016, the Group had investment properties of HK\$307,158,000, representing 18% and 12% of the Group's net assets and total assets, respectively. The estimation of the fair value of investment properties requires significant management judgement. The management uses external valuers to support its determination of the individual fair value of the investment properties.</p> <p>Related disclosures are included in notes 3, 9 and 17 to the financial statements.</p>	<p>We considered the objectivity, independence and expertise of the external valuers used by management, and assessed the property related data, including estimates used by the external valuers. Such procedures included comparing the rent and term periods against the existing lease agreements, performing market research on key valuation parameters including the capitalisation rate and market rent of similar properties and performing a sensitivity analysis on the fair value estimation. We also involved our internal valuation specialists to assist us in reviewing the external valuation methodologies. We then assessed the disclosures relating to the assumptions used in determining the fair value.</p>	<p>投資物業公平值的估計</p> <p>於二零一六年十二月三十一日，貴集團的投資物業為307,158,000港元，分別相當於貴集團淨資產及總資產的18%及12%。投資物業公平值的估計需要管理層作出重大判斷。管理層使用外部估值師支持其個別投資物業的公平值。</p> <p>相關披露已載於財務報表附註3、9及17。</p>	<p>我們已考慮管理層所使用的外部估值師的客觀性、獨立性和專業性，並評估物業相關數據，包括外部估值師使用的估計。這些程序包括將租金和年期期間與現有租賃協議進行的比較，對關鍵評估參數(包括類似物業的資本化率和市場租金)進行市場研究，並對公平值估計進行敏感度分析。我們還聘請內部估值專家協助我們審查外部估值師使用的估值方法。然後，我們評估用於確定公平值的假設的相關披露。</p>

Independent Auditor's Report (Continued)

獨立核數師報告 (續)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Properties applying for building ownership certificates</p> <p>As at 31 December 2016, included in the Group's leasehold land and buildings of HK\$741,768,000 were buildings in Mainland China of HK\$161,835,000 without the building ownership certificates (the "Buildings"). The assessment on whether the Group can obtain the building ownership certificates for the Buildings (the "Assessment") requires significant management judgement. After (i) having discussions with the relevant government officials, (ii) obtaining correspondence from the relevant regulatory bodies; and (iii) taking advice from the Group's legal counsel, the management believes that it is highly likely for the Group to obtain these certificates.</p> <p>Related disclosures are included in notes 3 and 16 to the financial statements.</p>	<p>We evaluated the Assessment by reviewing the correspondence with the local government authorities in relation to the application progress; performing physical observation of the Buildings; and evaluating management's assessment of the Group's legal risk, which included reference to the legal opinion from the Group's legal counsel.</p>

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.

關鍵審計事項 (續)

關鍵審計事項	我們的審計如何處理關鍵審計事項
<p>申請房屋所有權證的物業</p> <p>於二零一六年十二月三十一日，貴集團741,768,000 港元之租賃土地及樓宇中，161,835,000 港元為位於中國內地的樓宇，而無房屋所有權證（「該等樓宇」）。貴集團評估就該等樓宇是否能夠取得房屋所有權證（「評估」），需要管理層作出重大判斷。在(i)與相關政府官員討論後、(ii)從相關監管機構獲取文件往來；及(iii)取得 貴集團法律顧問之意見後，管理層相信，貴集團極有可能取得該等證書。</p> <p>相關披露已載於財務報表附註3及16。</p>	<p>我們通過審查 貴集團與地方政府當局關於申請進度的文件往來，到該等樓宇進行實地觀察；及評核管理層對 貴集團法律風險的評估（包括提述 貴集團法律顧問的法律意見）以對評估作出評核。</p>

年報所載的其他信息

貴公司董事需對其他信息負責。其他信息包括年報內的信息，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

Independent Auditor's Report (Continued) 獨立核數師報告 (續)

Other information included in the Annual Report (continued)

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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, 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 HKSA's 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.

年報所載的其他信息 (續)

結合我們對綜合財務報表的審計，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與綜合財務報表或我們在審計過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

董事就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的《香港財務報告準則》及香港《公司條例》擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備綜合財務報表時，貴公司董事負責評估貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非貴公司董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

貴公司董事在審計委員會協助下，須負責監督貴集團的財務報告過程。

核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們的報告僅向全體股東編製，除此以外，本報告不可用作其他用途。我們概不就本報告的內容向任何其他人士負責或承擔任何責任。

合理保證是高水平的保證，但不能保證按照《香港審計準則》進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

Independent Auditor's Report (Continued)

獨立核數師報告 (續)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with HKSA's, we exercise professional 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.

核數師就審計綜合財務報表承擔的責任 (續)

在根據《香港審計準則》進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審計相關的內部控制，以設計適當的審計程序，但目的並非對 貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對 貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致 貴集團不能持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表是否中肯反映交易和事項。
- 就 貴集團內實體或業務活動的財務信息獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責 貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

Independent Auditor's Report (Continued) 獨立核數師報告 (續)

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 Chan Kam Yee.

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

23 March 2017

核數師就審計綜合財務報表承擔的責任 (續)

除其他事項外，我們與審計委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

我們還向審計委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

從與審計委員會溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人是陳錦儀。

安永會計師事務所
執業會計師
香港
中環添美道1號
中信大廈22樓

二零一七年三月二十三日

Consolidated Income Statement

綜合收益表

Year ended 31 December 2016 截至二零一六年十二月三十一日止年度

		Notes	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
		附註		
REVENUE	收益	5	2,216,082	2,535,818
Cost of sales	銷售成本		(471,531)	(466,222)
Gross profit	毛利		1,744,551	2,069,596
Other income and gains, net	其他收入及收益，淨額	6	52,763	45,046
Selling and distribution expenses	銷售及分銷開支		(1,377,636)	(1,534,899)
Administrative expenses	行政開支		(245,694)	(267,369)
Other expenses	其他開支	7	(7,274)	(7,169)
Finance costs	融資成本	8	(8,263)	(6,617)
PROFIT BEFORE TAX	除稅前溢利	9	158,447	298,588
Income tax expense	所得稅開支	12	(60,045)	(97,014)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	本公司擁有人應佔 年度溢利		98,402	201,574
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	本公司擁有人應佔 每股盈利			
— Basic (HK cents)	— 基本(港仙)	15	23.62	48.38
— Diluted (HK cents)	— 攤薄(港仙)		23.62	48.38

Consolidated Statement of Comprehensive Income

綜合全面收益表

Year ended 31 December 2016 截至二零一六年十二月三十一日止年度

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
PROFIT FOR THE YEAR	年度溢利	98,402	201,574
OTHER COMPREHENSIVE EXPENSE	其他全面支出		
Other comprehensive expense to be reclassified to the income statement in subsequent periods:	於其後期間可重新分類至損益的其他全面支出：		
Exchange differences on translation of foreign operations	折算境外營運所產生之匯兌差額	(117,655)	(96,984)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	本公司擁有人應佔年度全面收入／(支出)總額	(19,253)	104,590

Consolidated Statement of Financial Position

綜合財務狀況表

31 December 2016 二零一六年十二月三十一日

			2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
	Notes 附註			
NON-CURRENT ASSETS		非流動資產		
Property, plant and equipment	16	物業、廠房及設備	1,062,213	977,465
Investment properties	17	投資物業	307,158	311,121
Prepaid land lease payments	18	預付土地租賃款項	33,996	37,363
Deferred tax assets	27	遞延稅項資產	84,810	73,781
Deposits	21	按金	14,139	12,414
Total non-current assets		非流動資產總值	1,502,316	1,412,144
CURRENT ASSETS		流動資產		
Inventories	19	存貨	659,347	716,853
Trade receivables	20	應收貿易賬款	85,220	90,486
Prepayments, deposits and other receivables	21	預付款項、按金及其他應收款項	58,309	56,335
Cash and cash equivalents	22	現金及現金等價物	190,187	233,017
Total current assets		流動資產總值	993,063	1,096,691
CURRENT LIABILITIES		流動負債		
Trade payables	23	應付貿易賬款	87,678	68,206
Interest-bearing bank borrowings	24	計息銀行借款	133,278	124,878
Tax payable		應付稅項	20,536	71,806
Other payables and accruals	25	其他應付款項及應計款項	274,174	230,033
Total current liabilities		流動負債總值	515,666	494,923
NET CURRENT ASSETS		流動資產淨值	477,397	601,768
TOTAL ASSETS LESS CURRENT LIABILITIES		總資產減流動負債	1,979,713	2,013,912
NON-CURRENT LIABILITIES		非流動負債		
Interest-bearing bank borrowings	24	計息銀行借款	221,555	183,333
Deferred liabilities	26	遞延負債	1,889	3,083
Deferred tax liabilities	27	遞延稅項負債	36,782	36,673
Total non-current liabilities		非流動負債總值	260,226	223,089
Net assets		資產淨值	1,719,487	1,790,823
EQUITY		權益		
Equity attributable to owners of the Company		本公司擁有人應佔權益		
Share capital	28	股本	4,166	4,166
Reserves	30	儲備	1,715,321	1,786,657
Total equity		總權益	1,719,487	1,790,823

Ngok Ming Chu
岳明珠
Director
董事

Cheng Pik Ho Liza
鄭碧浩
Director
董事

Consolidated Statement of Changes in Equity

綜合權益變動表

Year ended 31 December 2016 截至二零一六年十二月三十一日止年度

		Attributable to owners of the Company 本公司擁有人應佔										
		Reserves 儲備										Total equity
		Share capital	Share premium account	Contributed surplus	Asset revaluation reserve	statutory reserve funds	Exchange fluctuation reserve	Goodwill reserve	Share option reserve	Retained profits	Total reserves	Total equity
		股本	溢價賬	實繳盈餘	資產重估儲備	企業發展及法定儲備金	匯兌波動儲備	商譽儲備	購股權儲備	保留溢利	總儲備	總權益
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
附註		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
				(note 30)	(note 30)		(note 30)					
At 1 January 2016	於二零一六年一月一日	4,166	369,644	122,610	3,336	124,849	35,610	(3,168)	27,923	1,105,853	1,786,657	1,790,823
Profit for the year	年度溢利	-	-	-	-	-	-	-	-	98,402	98,402	98,402
Exchange differences related to foreign operations	折算境外營運所產生之匯兌差額	-	-	-	-	-	(117,655)	-	-	-	(117,655)	(117,655)
Total comprehensive income/(expense) for the year	年內全面收入/(支出)總額	-	-	-	-	-	(117,655)	-	-	98,402	(19,253)	(19,253)
Share options lapsed	購股權失效	29	-	-	-	-	-	-	(27,923)	27,923	-	-
2015 final and special dividends declared and paid	宣派及支付二零一五年末期及特別股息	14	-	-	-	-	-	-	-	(41,666)	(41,666)	(41,666)
2016 interim dividend	二零一六年中期股息	14	-	-	-	-	-	-	-	(10,417)	(10,417)	(10,417)
Transfer from retained profits	轉自保留溢利	-	-	-	-	19,400	-	-	-	(19,400)	-	-
At 31 December 2016	於二零一六年十二月三十一日	4,166	369,644	122,610	3,336	144,249	(82,045)	(3,168)	-	1,160,695	1,715,321	1,719,487
At 1 January 2015	於二零一五年一月一日	4,166	369,644	122,610	3,336	97,691	132,594	(3,168)	32,784	984,908	1,740,399	1,744,565
Profit for the year	年度溢利	-	-	-	-	-	-	-	-	201,574	201,574	201,574
Exchange differences related to foreign operations	折算境外營運所產生之匯兌差額	-	-	-	-	-	(96,984)	-	-	-	(96,984)	(96,984)
Total comprehensive income/(expense) for the year	年內全面收入/(支出)總額	-	-	-	-	-	(96,984)	-	-	201,574	104,590	104,590
Share options lapsed	購股權失效	-	-	-	-	-	-	-	(4,861)	4,861	-	-
2014 final and special dividends declared and paid	宣派及支付二零一四年末期及特別股息	14	-	-	-	-	-	-	-	(41,666)	(41,666)	(41,666)
2015 interim dividend	二零一五年中期股息	14	-	-	-	-	-	-	-	(16,666)	(16,666)	(16,666)
Transfer from retained profits	轉自保留溢利	-	-	-	-	27,158	-	-	-	(27,158)	-	-
At 31 December 2015	於二零一五年十二月三十一日	4,166	369,644	122,610	3,336	124,849	35,610	(3,168)	27,923	1,105,853	1,786,657	1,790,823

Consolidated Statement of Cash Flows

綜合現金流量表

Year ended 31 December 2016 截至二零一六年十二月三十一日止年度

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
	Notes 附註		
CASH FLOWS FROM OPERATING ACTIVITIES	經營業務之現金流量		
Profit before tax	除稅前溢利	158,447	298,588
Adjustments for:	調整：		
Finance costs	融資成本	8	6,617
Bank interest income	銀行利息收入	6	(2,255)
Depreciation	折舊	9	49,533
Amortisation of prepaid land lease payments	預付土地租賃款項之攤銷	9	974
Loss/(gain) on disposal/write-off of items of property, plant and equipment, net	出售／撇銷物業、廠房及設備項目之虧損／(收益)·淨額	9	416
Provision for obsolete inventories, net	陳舊存貨撥備·淨額	9	12,413
Impairment/(write-back of impairment allowance) of trade receivables	應收貿易賬款減值／(減值撥備撥回)	9	(17)
Changes in fair value of investment properties	投資物業公平值變動	6	(8,000)
		243,478	358,269
Decrease/(increase) in inventories	存貨減少／(增加)	20,140	(6,647)
Decrease/(increase) in trade receivables	應收貿易賬款減少／(增加)	4,907	(508)
Decrease/(increase) in prepayments, deposits and other receivables	預付款項、按金及其他應收款項減少／(增加)	(3,761)	6,756
Increase/(decrease) in trade payables	應付貿易賬款增加／(減少)	19,472	(78,321)
Increase in other payables and accruals	其他應付款項及應計款項增加	44,141	7,690
Decrease in deferred liabilities	遞延負債減少	(1,194)	(987)
Cash generated from operations	經營所得現金	327,183	286,252
Hong Kong profits tax paid	已付香港利得稅	(802)	(941)
Overseas taxes paid	已付海外稅項	(124,780)	(98,469)
Net cash flows from operating activities	經營業務之現金流入淨額	201,601	186,842

Consolidated Statement of Cash Flows (Continued)

綜合現金流量表 (續)

Year ended 31 December 2016 截至二零一六年十二月三十一日止年度

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
	Notes 附註		
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動之現金流量		
Interest received	已收利息	2,083	2,255
Additions to prepaid land lease payments	增加預付土地租賃款項	-	(1,784)
Purchases of items of property, plant and equipment	購置物業、廠房及設備項目	16 (210,720)	(173,591)
Proceeds from disposal of items of property, plant and equipment	出售物業、廠房及設備項目之所得款項	318	124
Net cash flows used in investing activities	投資活動之現金流出淨額	(208,319)	(172,996)
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動之現金流量		
New bank borrowings	新增銀行借款	196,013	371,838
Repayment of bank borrowings	償還銀行借款	(149,391)	(248,627)
Dividends paid	已付股息	14 (52,083)	(58,332)
Interest paid	已付利息	(8,263)	(6,617)
Net cash flows from/(used in) financing activities	融資活動之現金流入／(流出)淨額	(13,724)	58,262
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	現金及現金等價物之增加／(減少)淨額	(20,442)	72,108
Cash and cash equivalents at beginning of year	年初之現金及現金等價物	233,017	180,105
Effect of foreign exchange rate changes, net	匯率變動之影響，淨額	(22,388)	(19,196)
CASH AND CASH EQUIVALENTS AT END OF YEAR	年末之現金及現金等價物	190,187	233,017
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等價物結餘之分析		
Cash and bank balances	現金及銀行結餘	22 101,298	173,493
Non-pledged time deposits with original maturity of less than three months when acquired	於購入時原到期日為少於三個月之無抵押定期存款	22 88,889	59,524
Cash and cash equivalents	現金及現金等價物	190,187	233,017

Notes to Financial Statements

財務報表附註

31 December 2016 二零一六年十二月三十一日

1. Corporate Information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 August 2006 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company is located at 7th Floor, Wyler Centre II, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 37 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

The Company is a subsidiary of Harmonious World Limited ("Harmonious World"), a company incorporated in the British Virgin Islands (the "BVI"), which is considered by the directors as the Company's ultimate holding company.

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, 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 which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except where otherwise indicated.

1. 公司資料

本公司於二零零六年八月二十九日根據開曼群島第22章公司法(一九六一年法例三，經綜合及修訂)於開曼群島註冊成立為獲豁免有限公司。本公司的註冊辦事處地址為Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands，而本公司的主要營業地點為香港新界葵涌大連排道200號偉倫中心二期7樓。

本公司的主要業務為投資控股。有關附屬公司的主要業務詳情載於財務報表附註37。年內本集團的主要業務性質並無重大變動。

本公司為Harmonious World Limited的附屬公司，Harmonious World Limited於英屬處女群島(「英屬處女群島」)註冊成立，董事認為Harmonious World Limited為本公司的最終控股公司。

2.1 呈列基準

該等財務報表根據香港會計師公會頒佈的香港財務報告準則(「香港財務報告準則」)(包括所有香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋)、香港公認會計原則及香港公司條例披露規定。該等財務報表根據歷史成本法編製，惟投資物業按其公平值計量。除另有指明外，該等財務報表以港元呈列，所有價值均調整至最接近千元(千港元)。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

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 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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 owners of the parent of the Group 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, 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.

2.1 呈列基準 (續)

綜合基準

綜合財務報表包括本公司及其附屬公司(統稱「本集團」)截至二零一六年十二月三十一日止年度的財務報表。附屬公司為本公司直接或間接控制的實體(包括結構性實體)。當本集團對參與投資對象業務的浮動回報承擔風險或享有權利以及能透過對投資對象的權力(如本集團獲賦予現有能以主導投資對象相關活動的既存權利)影響該等回報時,即取得控制權。

倘本公司直接或間接擁有少於投資對象大多數投票或類似權利的權利,則本集團於評估其是否擁有對投資對象的權力時會考慮一切相關事實及情況,包括:

- (a) 與投資對象其他投票持有人的合約安排;
- (b) 其他合約安排所產生的權利;及
- (c) 本集團的投票權及潛在投票權。

附屬公司於相同申報期間的財務報表採用與本公司一致的會計政策編製。附屬公司的業績自本集團取得控制權當日起綜合計算,直至該等控制權失效為止。

損益及其他全面收益的各組成部分歸屬於本集團母公司擁有人。所有集團內公司間資產及負債、權益、收入、支出以及與本集團成員公司之間交易有關的現金流量均於綜合賬目時悉數抵銷。

倘事實及情況反映上述三項控制權因素其中一項或多項有變,則本集團會重估是否仍然控制投資對象。附屬公司擁有權權益的變動(並無失去控制權),於入賬時列作權益交易。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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 the consolidated income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated income statement 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

2.1 呈列基準 (續)

綜合基準 (續)

倘本集團失去附屬公司的控制權，會於綜合收益表終止確認(i)附屬公司的資產(包括商譽)及負債、(ii)任何非控股權益的賬面值及(iii)計入權益的累計匯兌差額；並確認(i)收取代價的公平價值、(ii)任何保留投資的公平價值及(iii)任何由此產生的盈餘或虧損。本集團早前於其他綜合收入確認的應佔部份會視乎情況，按倘本集團直接出售相關資產或負債所要求的相同基準重新分類至綜合收益表或保留溢利。

2.2 會計政策變動及披露

本集團於本年度財務報表首次採納以下新訂及經修訂之香港財務報告準則。

香港財務報告準則第10號、 香港財務報告準則第12號 及香港會計準則第28號 (2011)修訂	投資實體： 應用綜合入賬之例外
香港財務報告準則第11號 修訂	收購共同經營權益的會計 處理
香港財務報告準則第14號	監管遞延賬戶
香港會計準則第1號修訂	披露動議
香港會計準則第16號及 香港會計準則第38號修訂	可接受折舊及攤銷方式的 澄清
香港會計準則第16號及 香港會計準則第41號修訂	農業：生產性植物
香港會計準則第27號 (2011)修訂	獨立財務報表中的權益法
二零一二年至二零一四年週期 的年度改進	修訂多項香港財務報告準則

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.2 Changes in Accounting Policies and Disclosures 2.2 會計政策變動及披露 (續)

(continued)

Other than as explained below regarding the impact of Amendments to HKAS 1, Amendments to HKAS 16 and HKAS 38 and certain amendments included in *Annual Improvements to 2012–2014 Cycle*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- (i) the materiality requirements in HKAS 1;
 - (ii) that specific line items in the income statement and the statement of financial position may be disaggregated;
 - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
 - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the income statement.

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

除下文說明有關香港會計準則第1號修訂、香港會計準則第16號及香港會計準則第38號修訂及二零一二年至二零一四年香港財務報告準則週期年度改進的一些修訂，採用以上此等新訂及經修訂之準則對財務報表並無產生重大財務影響。

- (a) 香港會計準則第1號修訂載有對財務報表的呈報及披露範疇內具針對性的改善。該等修訂釐清：
- (i) 香港會計準則第1號內的重重大性規定；
 - (ii) 收益表及財務狀況表內的特定項目可予細分；
 - (iii) 實體就彼等呈列於財務報表附註的順序擁有靈活性；及
 - (iv) 使用權益法入賬的分佔聯營公司及合營公司的其他全面收益必須作為單獨項目匯總呈列，並且在將會或不會其後重新分類至收益表的該等項目之間進行歸類。

此外，該等修訂釐清於財務狀況表及收益表內呈列額外小計時適用的規定。該等修訂對本集團的財務報表亦無造成任何重大影響。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.2 Changes in Accounting Policies and Disclosures 2.2 會計政策變動及披露 (續)

(continued)

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.
- (b) 香港會計準則第16號及香港會計準則第38號修訂釐清香港會計準則第16號及香港會計準則第38號中的原則，即收益反映來自經營業務(該資產為其一部份)產生的經濟利益而非通過使用資產消耗的經濟利益模式。因此，收益法不得用於折舊物業、廠房及設備，並且僅在非常有限的情況下可用於攤銷無形資產。該等修訂以未來適用法應用。鑒於本集團並無使用收益法計算其非流動資產的折舊，該等修訂並無對本集團的財務狀況或表現構成影響。
- (c) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of certain amendments are as follows:
- (c) 於二零一四年十月頒佈的二零一二年至二零一四年香港財務報告準則週期年度改進載列多項香港財務報告準則的修訂。部份修訂的詳情如下：
- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group.
 - 香港財務報告準則第5號持有待售之非流動資產及已終止業務：釐清對於出售計劃的變更或計劃將資產劃撥至擁有者將不會作為一項新的處置計劃，而是作為原有出售計劃的延續。因此，對於香港財務報告準則第5號的應用要求沒有影響。該修訂同時釐清了處置方式的變更不會改變將資產劃分至持有待售非流動資產或出售組別日期。該等修訂以未來適用法應用。該修訂對本集團並無任何影響。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

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	<i>Classification and Measurement of Share-based Payment Transactions</i> ²
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ²
HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ²
HKFRS 16	<i>Leases</i> ³
Amendments to HKAS 7	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.3 已頒佈但尚未生效的香港財務報告準則

本集團並未在財務報表應用下列已頒佈但尚未生效的新訂及經修訂香港財務報告準則。

香港財務報告準則第2號修訂	以股份為基礎付款交易的分類及計量 ²
香港財務報告準則第4號修訂	與香港財務報告準則第4號保險合約一併應用的香港財務報告準則第9號金融工具 ²
香港財務報告準則第9號	金融工具 ²
香港財務報告準則第10號及香港會計準則第28號(2011)修訂	投資者與其聯營或合營公司之間的資產出售或注資 ⁴
香港財務報告準則第15號	來自客戶合約的收益 ²
香港財務報告準則第15號修訂	對香港財務報告準則第15號來自客戶合約的收益作出的澄清 ²
香港財務報告準則第16號	租賃 ³
香港會計準則第7號修訂	披露計劃 ¹
香港會計準則第12號修訂	就未變現虧損確認遞延稅項資產 ¹

¹ 於二零一七年一月一日或之後開始的年度期間生效

² 於二零一八年一月一日或之後開始的年度期間生效

³ 於二零一九年一月一日或之後開始的年度期間生效

⁴ 並未訂定強制性生效日期，惟已可作採納

本集團對有關首次應用新訂及經修訂香港財務報告準則的影響進行評估。本集團尚未能確定該等新訂及經修訂香港財務報告準則會否對其經營業績及財務狀況造成重大影響。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies

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 the income statement.

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 a liability is measured at fair value with changes in fair value recognised in the income statement. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 主要會計政策概要

業務合併及商譽

業務合併乃以購買法入賬。轉讓之代價乃以收購日期的公平價值計算，該公平價值為本集團轉讓的資產於收購日期的公平價值、本集團自被收購方之前度擁有人承擔的負債，及本集團發行以換取被收購方控制權的股本權益的總和。於各業務合併中，本集團選擇以公平價值或被收購方可識別資產淨值的應佔比例，計算於被收購方屬現時擁有人權益的非控股權益，並賦予擁有人權利，於清盤時按比例分佔實體的淨資產。非控制權益之一切其他成分乃按公平價值計量。收購成本於產生時列為開支。

當本集團收購一項業務時，會根據合約條款、於收購日期的經濟環境及相關條件，評估將承接的金融資產及負債，以作出適合的分類及標示，其中包括將被收購方主合約中的嵌入式衍生工具進行分離。

倘企業合併分階段進行，先前持有的股權按收購日期的公平價值重新計量，而任何收益或虧損於損益中確認。

由收購方將予轉讓的任何或然代價將於收購日期按公平價值確認。分類為一項資產或負債的或然代價根據公平價值的變動按公平價值計量，並確認於損益。分類為權益的或然代價並無重新計量，而其後結算於權益中入賬。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Business combinations and goodwill (continued)

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 the income statement as a gain on bargain purchase.

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

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

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.

業務合併及商譽 (續)

商譽起初按成本計量，即已轉讓總代價、已確認非控股權益及本集團先前由持有的被收購方股權的公平價值總額，超逾與所收購可識別資產淨值及所承擔負債的差額。如總代價及其他項目低於所收購資產淨值的公平價值，於評估後其差額將於收益表內確認為議價收購收益。

於初始確認後，商譽按成本減任何累計減值虧損計量。商譽須每年作減值測試，若有事件發生或情況改變顯示賬面值有可能減值時，則會更頻密地進行檢討。本集團於十二月三十一日進行商譽之年度減值測試。為進行減值測試，因業務合併而購入的商譽自購入之日被分配至預期可從合併產生的協同效益中獲益的本集團各個現金產生單位或現金產生單位組別，而無論本集團其他資產或負債是否已分配予該等單位或單位組別。

減值乃通過評估與商譽有關的現金產生單位(或現金產生單位組別)的可收回金額釐定。當現金產生單位(或現金產生單位組別)的可收回金額低於賬面金額時，減值虧損便予以確認。已就商譽確認的減值虧損不得於未來期間撥回。

倘商譽已分配予現金產生單位(或現金產生單位組別)的部份而該單位的部份業務已出售，則在釐定所出售業務的收益或虧損時，與所出售業務相關的商譽會計入該業務的賬面值。在該情況下出售的商譽，乃根據所出售業務的相對價值及現金產生單位的保留份額進行計量。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Fair value measurement

The Group measures its investment properties at fair value 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.

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.

公平價值計量

本集團於各報告期末按公平價值計量其投資物業。公平價值為市場參與者於計量日期在有序交易中出售資產所收取的價格或轉讓負債所支付的價格。公平價值計量乃根據假設出售資產或轉讓負債的交易於資產或負債主要市場或(在無主要市場情況下)最具優勢市場進行而作出。主要及最具優勢市場須為本集團可進入之市場。資產或負債的公平價值乃按假設市場參與者於資產或負債定價時會以最佳經濟利益行事計量。

非金融資產的公平價值計量須計及市場參與者能自最大限度使用該資產達致最佳用途，或將該資產出售予將最大限度使用該資產達致最佳用途的其他市場參與者，所產生的經濟效益。

本集團採納適用於不同情況且具備充分數據以供計量公平價值的估值方法，以儘量使用相關可觀察輸入數據及儘量減少使用不可觀察輸入數據。

所有載於本財務報表計量或披露的資產及負債乃基於對公平價值計量整體而言屬重大的最低層輸入數據按以下公平價值等級分類：

- 第一級：基於相同資產或負債於活躍市場的報價(未經調整)
- 第二級：基於對公平價值計量而言屬重大的可觀察(直接或間接)最低層輸入數據的估值方法
- 第三級：基於對公平價值計量而言屬重大的不可觀察最低層輸入數據的估值方法

就按經常性基準於本財務報表確認的資產及負債而言，本集團透過於各報告期末重新評估分類(基於對公平價值計量整體而言屬重大的最低層輸入數據)確定是否發生不同等級轉移。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(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.

關連人士

在下列情況下，關連人士將被視為與本集團有關連：

- (a) 有關人士為該名人士家族的人士或直系親屬，而該名人士
- (i) 控制或共同控制本集團；
- (ii) 對本集團發揮重大影響力；或
- (iii) 為本集團或本集團母公司的主要管理層成員；
- 或
- (b) 倘符合下列任何條件，有關人士即屬實體：
- (i) 該實體與本集團屬同一集團之成員公司；
- (ii) 一間實體為另一實體的聯營公司或合營企業（或另一實體的母公司、附屬公司或同系附屬公司之旗下）；
- (iii) 該實體及本集團均為同一第三方的合營企業；
- (iv) 一間實體為第三方實體的合營企業，而另一實體為該第三方實體的聯營公司；
- (v) 該實體為本集團僱員或屬於本集團關連人士之實體之僱員福利而設之離職後福利計劃；
- (vi) 該實體由(a)項所述人士控制或共同控制；
- (vii) 於(a)(i)項所述人士對該實體有重大影響或屬該實體（或該實體的母公司）主要管理層成員；及
- (viii) 該實體或其任何集團成員公司提供主要管理人員服務予本集團或本集團之母公司。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

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 and investment properties), 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 income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued 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 income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

非金融資產減值

倘有跡象顯示資產出現減值，或須對資產進行年度減值測試(存貨、金融資產及投資物業除外)，則會估計該項資產之可收回金額。資產之可收回金額為資產或創現單位之使用價值或其公平值減處理成本之較高者，並就個別資產釐定，惟該項資產並無產生大部分獨立於其他資產或其他組別資產之現金流入則除外，在此情況，就該項資產所屬之創現單位釐定可收回金額。

減值虧損僅於資產賬面值超逾可收回金額時確認。於評估使用價值時，估計未來現金流量以反映當時市場對貨幣時間價值之估計及該項資產之特有風險之除稅前折現率折減至現值。減值虧損於產生期間自收益表扣除，惟倘該資產按重估金額列賬，則減值虧損會根據該重估資產之有關會計政策列賬。

於各報告期間結算日，均會評估是否有跡象顯示過往已確認之減值虧損不再存在或可能減少。倘出現該跡象，則會估計可收回金額。過往確認之資產減值虧損(商譽除外)僅於用於釐定該項資產之可收回金額所採用之估計出現變化時撥回，但有關金額不得超逾假設過往年度並無就該項資產確認減值虧損而應有之賬面值(已扣除任何折舊/攤銷)。撥回減值虧損於產生期間計入收益表，惟倘該資產按重估金額列賬，則減值虧損撥回會根據該重估資產之有關會計政策列賬。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, 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 income statement 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.

Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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	Over the lease terms
Leasehold improvements	4.5% to 20%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	20% to 25%

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.

物業、廠房及設備以及折舊

除在建工程外，物業、廠房及設備按成本減累計折舊及任何減值虧損入賬。一項物業、廠房及設備之成本包括購買價及任何將資產達致其運作狀況與地點作擬定用途之直接成本。

各項物業、廠房及設備投入運作後產生之開支(如維修及保養)一般於產生期間自收益表扣除。倘符合確認標準，一項主要視察之開支以替代方式於資產帳面值中資本化列賬。倘物業、廠房及設備之重要部分須不時替代，本集團確認該等部分為個別資產，具特別使用年限及折舊。

物業、廠房及設備之價值變動作為資產重估儲備之變動處理。倘若按每項資產為基準，儲備總額不足以彌補虧絀時，則多出之虧絀於收益表扣除。其後之重估盈餘乃計入收益表，惟以先前扣除之虧絀為限。出售重估資產時，資產重估儲備中就以往估值實現之部份乃轉入保留溢利，作為儲備之變動。

折舊按各項物業、廠房及設備之估計可使用年期以直線法計算，以撇銷成本至其剩餘價值。就此而言，所採用之主要年率如下：

租賃土地及樓宇	按租期
租賃物業裝修	4.5%–20%
廠房及機器	10%–20%
傢俬、裝置及辦公室設備	10%–20%
汽車	20%–25%

倘某項物業、廠房及設備項目各部分之使用年限各有不同，該項目之成本乃按合理基準在各部分之間進行分配，而每部分則各自計算折舊。剩餘價值、使用年限及折舊方法至少會於各財政年度年末進行檢討及調整(如適用)。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Property, plant and equipment and depreciation (continued)

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 income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings 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 income statement in the year in which they arise.

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

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 and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, 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.

物業、廠房及設備以及折舊 (續)

初步確認之物業、廠房及設備項目包括任何重要部分於出售時或預期日後不會因使用或出售而帶來經濟利益時停止確認。在停止確認該項資產之同一年度於收益表確認之出售或報廢之任何盈虧，為有關資產出售所得款項淨額與其賬面值之差額。

在建工程指興建中之樓宇及設備，並以成本值減任何減值虧損列帳，且不予折舊。成本值包括建築期間之直接建築成本。在建工程於完成及投入服務時重新分類為合適類別之物業、廠房及設備。

投資物業

投資物業乃土地及樓宇之權益。持有投資物業是為賺取租金收入及／或資本增值，而非用以生產或提供貨物或服務或作行政用途又或於日常業務中出售。投資物業首次按成本計量，當中包括交易成本。於首次確認後，投資物業乃按反映報告期末市場狀況的公平價值列賬。

投資物業公平值變更所帶來之溢利或虧損於產生年度計入收益表。

報廢或出售投資物業之任何溢利或虧損於報廢或出售之年度在收益表確認。

投資及其他金融資產

初步確認及計量

金融資產，按初始確認時，金融資產分類為以公平值按損益列賬的金融資產、貸款及應收款項及可供出售金融投資，或分類為指定為有效對沖之對沖工具之衍生工具（視情況而定）。對於並非屬於以公平值按損益列賬的金融資產，在初始確認時以公平值加上收購金融資產產生的交易成本計量。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Investments and other financial assets

(continued)

Initial recognition and measurement (continued)

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:

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 income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in administrative expenses for receivables.

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.

投資及其他金融資產 (續)

初步確認及計量 (續)

以正常方式購買及銷售金融資產均在交易日(即本集團承諾購買或出售資產當日)確認。以正常方式購買或銷售資產是指須按照市場規定或慣例通常訂立的期限內交付資產。

後續計量

金融資產的後續計量取決於其分類，如下：

貸款及應收款項

貸款及應收款項指具有固定或可釐定付款額且非於活躍市場報價之非衍生金融資產。於首次計量後，該等資產採用實際利率法按攤銷成本計量，並扣除任何減值撥備。計算攤銷成本時亦會計及收購所產生之任何折讓或溢價，並包括作為實際利率之不可或缺之費用或成本。實際利率攤銷包含於收益表之其他收入及收益。因減值而產生之虧損於收益表內確認為貸款之融資成本及應收賬款之行政開支。

解除確認金融資產

於下列情況時，金融資產(或(如適用)金融資產之一部分或一組類似金融資產之一部分)將主要地解除確認(從本集團綜合財務狀況表移除)：

- 自資產收取現金流量之權利已屆滿；或
- 本集團已轉讓自資產取得現金流量之權利或已根據「轉付」安排承擔於無重大延誤之情況下向第三方全額支付已收取現金流量之責任；且(a)本集團已轉讓該資產之大部分風險及回報，或(b)本集團並無轉讓或保留該等資產之大部分風險及回報，惟已轉讓該資產之控制權。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks 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.

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.

解除確認金融資產 (續)

當本集團已轉讓自一項資產收取現金流量的權利或已訂立「轉付」安排，會評估其有否保留該項資產擁有權的風險及回報，以及其程度。當本集團並無轉讓或保留該資產之大部分風險及回報，亦無轉讓該資產之控制權，該資產在本集團持續參與該項資產的前提下予以確認入賬。於此情況下，本集團亦確認相關負債。已轉讓資產及相關負債按反應本集團已保留權利及責任之基準計量。

本集團倘以擔保形式持續參與轉讓資產時，則以該項資產的原賬面值及本集團或須償還的代價數額上限（以較低者為準）計算。

金融資產之減值

本集團於各報告期間結算日評估金融資產或一組金融資產有否出現的任何客觀證據。倘於初步確認一項或一組金融資產後發生一件或多件事項導致存在客觀減值跡象，而該項（或多項）虧損事項已對金融資產或一組金融資產的估計未來現金流造成可合理估計之影響，則金融資產或一組金融資產被視為減值。減值跡象可包括一名或一組借款人正面臨重大經濟困難、違約或未能償還利息或本金、彼等有可能破產或進行其他財務重組，以及有可觀察得到的數據顯示估計未來現金流量出現可計量的減少，例如欠款數目變動或出現與違約相關的經濟狀況。

按攤銷成本列賬之金融資產

就按攤銷成本列賬之金融資產而言，本集團首先對具個別重要性之金融資產進行評估，評估個別資產是否存在可觀減值證據，或對非具個別重要性之金融資產進行共同評估。倘本集團釐定經個別評估之金融資產（無論具有重要性與否）並無存在可觀減值證據，則會將該資產歸入一組具有類似信貸風險特性之金融資產內，然後共同評估減值。個別評估減值及為其確認或繼續確認減值虧損之資產，在共同評估減值時不會包括在內。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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 yet 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 income statement. 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 administrative expenses in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

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

金融資產之減值 (續)

按攤銷成本列賬之金融資產 (續)

已確認減值虧損金額按資產賬面值與估計未來現金流量(不包括尚未產生之未來信貸虧損)現值之差額計量。估計未來現金流量之現值乃按金融資產之原實際利率貼現(即按初步確認計算之實際利率)。

資產之賬面值通過採用撥備賬項減少，虧損金額在收益表中確認。利息收入按減少後賬面值持續產生，且採用計量減值虧損時用以貼現未來現金流量之利率累計。倘預期並無日後可收回金額，且所有抵押已變現或轉撥至本集團，則借貸及應收款項連同相關撥備予以撇銷。

以後期間，倘若由於減值確認後發生一個事件估計減值虧損之數額增加或減少，則先前確認之減值虧損透過調整撥備賬項予以增加或減少。倘攤銷隨後可收回，收回款項計入收益表之行政開支。

金融負債

初步確認及計量

金融負債，按初始確認時，按適用情況分類為透過損益賬以公平值列賬之金融負債、貸款及借貸，或分類為指定為有效對沖之對沖工具之衍生工具(按適用情況)。

所有財務負債初始時按公平值確認，惟貸款及借款則加上淨直接應佔交易成本確認。

後續計量

財務負債的後續計量取決於其分類，如下：

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Financial liabilities (continued)

Loans and borrowings

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 income statement 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 income statement.

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 income statement.

金融負債 (續)

貸款及借款

於初始確認後，計息貸款及借款隨後以實際利率法按攤銷成本計量，倘折現的影響並不重大，則按成本列賬。當撤銷確認負債及在實際利率攤銷過程中，收益及虧損會於收益表確認。

攤銷成本計入於購買時產生的任何折現或溢價及作為構成有效利率整體部分的費用或成本。有效利率攤銷計入收益表中的融資成本。

財務擔保合約

本集團開立的財務擔保合約是指須支付款項以償付持有人因指定債務人未能根據債務工具條款作出到期付款而產生的虧損的合約。財務擔保合約初步按其公平值確認為負債，並就開立該擔保的直接應佔交易成本進行調整。於初始確認後，本集團按以下兩者中的較高者計量財務擔保合約：(i) 於報告期末對履行現有責任所需開支的最佳估計金額；及(ii) 初始確認金額減(如適用)累計攤銷。

撤銷確認金融負債

當負債項下之責任被解除或取消或屆滿，金融負債將被撤銷確認。

如現有金融負債由同一放債人明顯不同的條款大致上相異之負債所取代，或現有負債之條款作出重大修訂，此類交換或修訂將被視為取消確認原負債及確認新負債處理，有關賬面值之差額於收益表確認。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the weighted average basis 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 the estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 income statement so as to provide a constant periodic rate of charge over the lease terms.

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 income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement 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.

存貨

存貨按成本與可變現淨值之較低者入賬，並就陳舊或滯銷項目作適當撥備。成本按加權平均法計算，如屬在製品及製成品，則包括直接物料、直接工資及適當比例之間接成本。可變現淨值按估計售價減任何估計完成及出售所需之成本計算。

租賃

將資產擁有權(法定業權除外)之大部分報酬與風險轉讓至本集團之租賃均列為融資租賃。融資租賃生效時，租賃資產之原值均按最低租賃款項之現值撥作資本，並連同債務(不計利息)入賬，以反映購入及融資情況。資本化融資租賃持有之資產(包括融資租賃項下土地租賃款項預付)均列入物業、廠房及設備，並按資產租賃年期或估計可使用年期(以較短者為準)攤銷。該等租賃之融資成本乃於租賃年期內按固定比率於收益表內扣除。

由出租人承受資產擁有權之絕大部分回報與風險之租賃均列為經營租賃。倘本集團是出租人，則本集團根據經營租約出租之資產均計入非流動資產，而經營租約之應收租金則以直線法在租賃期內計入收益表。倘本集團是承租人，則經營租約之應付租金以直線法在租賃期內自收益表扣除。

經營租賃的預付土地租賃款項初步按成本列賬，其後在租賃期內以直線法確認。當租賃款項無法可靠地在土地和樓宇兩部份進行分配時，則整個租賃款項會計入土地和樓宇之成本中，列作物業、廠房及設備之融資租賃。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

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.

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.

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 income statement.

現金及現金等價物

為編製綜合現金流量表，現金及現金等價物包括手頭現金及活期存款，以及短期高流動性投資（須易於轉換能確定金額的現金、低價值變動風險及具較短期限（一般購入後不多於三個月），減去按要求還款的銀行透支，並構成本集團的現金管理主要部分。

為編製綜合財務狀況表，現金及現金等價物包括手頭現金及銀行存款，包括用途不受限制的定期存款及與現金性質相似之資產。

借款成本

因收購、建設或生產合資格資產等（即需要一段頗長時間準備方可作其擬定用途或出售的資產）所直接產生的借貸成本，乃予以資本化作為該等資產成本之一部分。倘若該等資產已大致能夠用作擬定用途或出售，其借貸成本不再予以資本化。個別借貸因尚未用於合資格資產而用作暫時性投資，所賺取的投資收入應從已資本化的借貸成本中扣除。所有其他借貸成本於產生期內支銷。借貸成本包括實體在借入資金時所產生的利息及其他成本。

撥備

當由於過往事件導致現時須承擔法律或推定責任而未來可能須流失資源以履行責任，且能可靠估計責任之數額，則會確認撥備。

倘若貼現影響重大，則所確認之撥備數額為預計履行責任所需之未來開支在報告期間結算日之現值。隨時間流逝使貼現值增加之款項計入收益表之融資成本。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the income statement is recognised 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 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, 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.

所得稅

所得稅包括即期及遞延稅項。與於損益表以外確認之項目有關之所得稅或確認為其他全面收益亦或直接確認為權益。

即期稅項資產及負債，按預期可從稅務機構收回或支付予稅務機構之金額、以報告期間結算日之前已實施或實質已實施之稅率(及稅法)、經考慮本集團業務所在國家現行之詮釋及慣例而計量。

遞延稅項於呈報期末按負債法就資產及負債的稅基與財務報告所示賬面值的所有暫時差額計提撥備。

遞延稅項負債就所有應課稅暫時差額確認，惟下列情況除外：

- 因業務合併以外之交易(交易當時並無因而影響會計溢利或應課稅溢利或虧損者)下初步確認資產或負債所產生之遞延稅項負債；及
- 對附屬公司之投資相關之應課稅暫時差額而言，如暫時差額之撥回時間可予控制，且暫時差額不大可能在可預見將來撥回。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividend income derived from the Company's subsidiaries in Mainland China is subject to a withholding tax under the prevailing tax rules and regulations of the People's Republic of China ("PRC").

所得稅 (續)

遞延稅項資產乃於可能取得應課稅溢利而可動用可扣稅暫時差額，以及未動用稅項抵免及任何未動用稅項虧損。遞延稅項資產就所有可扣稅暫時差額、未動用稅項抵免及未動用稅項虧損結轉確認，惟下列情況除外：

- 遞延稅項資產涉及業務合併以外之交易(交易當時並無因而影響會計溢利或應課稅溢利或虧損者)下初步確認資產或負債所產生之可扣稅暫時差額；及
- 對附屬公司之投資相關之可扣稅暫時差異，遞延稅項資產僅於暫時差異於可預見將來可能出現逆轉及有應課稅溢利以供暫時差額抵銷的情況下確認。

於各報告期間結算日會檢討遞延稅項資產之賬面值，倘不再可能取得足夠應課稅溢利以運用全部或部分遞延稅項資產扣稅，則會作出相應調減。尚未確認之遞延稅項資產，則會於各報告期間結算日重新評估，並於有可能取得足夠應課稅溢利以收回全部或部分遞延稅項資產扣稅時確認。

遞延稅項資產及負債乃根據預期於變現資產或清償債務期間適用之稅率計算，而該稅率乃基於報告期間結算日正式實施或實質採用之稅率(及税法)釐定。當存在可依法執行之權利，可將即期稅項資產抵銷即期稅項負債，而遞延稅項涉及同一應課稅實體及同一稅務機關時，遞延稅項資產及遞延稅項負債方可互相抵銷。

根據中華人民共和國(「中國」)現行稅務規則及法規，來自本公司位於中國大陸之附屬公司之股息收益須繳納預扣稅。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Government grants

Government grants, including a subsidy for the expenditure incurred in the construction cost of infrastructure projects, are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

收益確認

當經濟利益有可能流入本集團和當收入能可靠地計量時，收益會按下列基準確認：

- (a) 銷售貨品所得之收益，於所有權之重大風險和回報已轉移至買方時確認，惟本集團對所售貨品必須不再享有通常與所有權相關之管理權，亦不得再有實際控制權；
- (b) 租金收入在租賃期內按時間比例確認；
- (c) 利息收入以應計基準以實際利率法將金融工具的估計年期或較短期間（如適用）內的未來估計現金收入折現至金融資產的賬面淨值；及
- (d) 股息收入於確立股東收款權利時確認。

研究及開發成本

所有研究成本均於產生時自收益表扣除。

開發新產品之項目開支將撥充資本，並僅於以下情況延遲入賬：本集團能表現出完成該無形資產之技術可行性，以供使用或銷售；表現其有意完成該項資產及其使用或出售該項資產之能力；顯示該項資產如何產生日後經濟利益；顯示其能夠提供完成有關項目之資源；及顯示其有能力於開發期間可靠計量開支。不符合上述標準之產品開發開支於產生時支銷。

政府補助

政府補助（包括有關基建項目建築成本所招致開支之補助）於可合理地確定將會收取補助及將符合所有附帶條件時按公平值確認。倘補助涉及開支項目，則會於相關期間確認為收入，使該補助有系統地對應其擬補助之成本入賬。倘補助與資產有關，其公平值從資產之賬面值中扣減並透過扣減之折舊開支而轉撥至收益表。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

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 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 a binomial model, further details of which are given in note 29 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 income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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.

股份支付

本公司訂立購股權計劃，以向為本集團成功營運作出貢獻的合資格參與者提供激勵及獎勵。本集團僱員(包括董事)以股份支付的形式收取酬金，據此僱員提供服務作為權益工具的代價(「以股份支付的交易」)。

股份支付交易的成本乃參照該權益工具於授予日期的公平值計量。公平值由外聘估值師採用二項式模型釐定，有關詳情載於財務報表附註29。

以權益支付交易的成本於表現及／或服務條件履行期間於僱員福利開支確認，同時相應增加權益。在歸屬日期之前於各報告期間結算日於權益支付交易所確認的累計開支反映歸屬期屆滿的程度及本集團認為對最終歸屬的權益工具數量的最佳估計。於期內綜合收益表扣除或計入的金額指於期初及期終確認的累計開支變動。

釐定獎勵之授出日公平值並不考慮服務及非市場表現條件，惟能達成條件之可能性則被評定為將最終歸屬為本集團權益工具數目之最佳估計之一部份。市場表現條件將反映在授出日之公平值。附帶於獎勵中但並無相關聯服務要求之其他任何條件皆視為非歸屬條件。反映非歸屬條件之獎勵公平值若當中不包含服務及／或表現條件乃即時予以支銷。

因未能達至非市場表現及／或服務條件，而導致最終並無歸屬之獎勵並不會確認支銷，惟包括一項市場或非歸屬條件之獎勵，無論市場或非歸屬條件是否達成，其均會被視為已歸屬，前提是所有其他表現及／或服務條件須已達成。

於修訂權益支付回報的條款時，將會至少確認開支，猶如倘最初回報條款均得到滿足，有關條款並無作出修訂。此外，亦會就任何修訂確認開支增加股份付款安排交易的總公平值，或於修訂當日計算時對僱員有利。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Share-based payments (continued)

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 an additional share dilution in the computation of earnings per share.

Other employee benefits

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of these employees' basic salaries and are charged to the income statement 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.

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 certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the 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.

股份支付 (續)

倘若註銷權益支付的回報，則會視作已於註銷當日歸屬，而任何未就回報確認的開支將立即確認。該報酬包括當非歸屬條件在本集團或僱員的控制下未能得到滿足時的報酬。然而，倘以新回報取代所註銷的回報，並於授出當日列作取代回報，則所註銷及新授出的回報將視作原有回報的修訂，有關詳情載於上段。

尚未行使購股權的攤薄影響列作計算每股盈利的額外股份攤薄。

其他僱員福利

退休福利計劃

本集團根據香港強制性公積金計劃條例為所有香港僱員設立定額供款強制性公積金退休福利計劃(「強積金計劃」)。供款乃按僱員基本薪金之某百分比計算，並根據強積金計劃之規則於應付時在收益表扣除。強積金計劃資產與本集團資產分開存放，由獨立管理之基金持有。本集團一經向強積金計劃供款，有關僱主供款即全數歸僱員所有。

本集團於中國大陸經營之附屬公司之僱員須參與地方市政府管理之中央退休金計劃。該等附屬公司須按其薪酬成本之若干百分比向中央退休金計劃供款。供款於根據中央退休金計劃之規則應付時於收益表扣除。

離職福利

離職福利於本集團不再能取消提供該等福利時及本集團確認涉及支付離職福利的重組成本時(以較早者為準)確認。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

2.4 Summary of Significant Accounting Policies 2.4 主要會計政策概要 (續)

(continued)

Foreign currencies

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

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 income statement is also recognised in other comprehensive income or income statement, respectively).

The functional currencies of certain overseas subsidiaries 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 income statements 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 income statement.

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.

外幣

該等財務報表以港元(本公司之功能貨幣)呈列。本集團屬下各實體自行決定功能貨幣，而各實體財務報表內之項目均以該功能貨幣計算。外幣交易首先按交易日期本集團屬下各實體以其功能貨幣匯率入賬。於結算日以外幣為單位之貨幣資產與負債按報告期間結算日適用之功能貨幣匯率換算。因貨幣項目結算或匯兌產生的差額於收益表確認。

根據外幣歷史成本計算之非貨幣項目按首次交易日期之匯率換算。根據外幣公平值計算之非貨幣項目按釐定公平值當日之匯率換算。換算非貨幣項目而產生的收益或虧損，按確認該項目公平價值變動的收益或虧損一致的方法處理(即其他全面收益或收益表已確認的項目公平價值收益或虧損，其換算差額亦分別於其他全面收益或收益表確認)。

若干海外附屬公司之功能貨幣並非港元。於報告期間結算日，該等實體之資產及負債均按報告期間結算日之匯率換算為港元，而該等公司之收益表按年內之加權平均匯率換算為港元。因此而產生之匯兌差額計入其他全面收入及於匯兌波動儲備累積。於出售境外營運時，就特定海外實體在其他全面收入的組成部分將於收益表確認。

就編製綜合現金流量表而言，海外附屬公司之現金流量按現金流量日期現行之匯率換算為港元。海外附屬公司在年內產生之經常性現金流量會按該年度之加權平均匯率換算為港元。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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.

3. 主要會計判斷及估計

於編製本集團之財務報表時，管理層需對收入、支出、資產及負債之申報數額及其附帶披露、以及或然負債之披露事項作出判斷、估計及假設。該等假設及估計之不明朗因素可能導致需就日後受影響資產或負債之賬面值作出重大調整。

判斷

管理層於應用本集團之會計政策時已作出以下判斷(不包括涉及估計者)，對財務報表內確認之款項構成最重要影響者如下：

經營租約承擔—本集團作為出租人

本集團已就旗下之投資物業組合訂立商業物業租約。本集團已根據各安排之條款及條件之評估確定其保留經營租約出租之物業之擁有權的所有重大風險及回報。

投資物業與業主佔用物業分類

本集團釐定一項物業是否符合為投資物業，並已制訂標準以作出有關判斷。投資物業乃為賺取租金或／及資本增值而持有之物業。故此，本集團考慮物業是否明顯地獨立於本集團持有的其他資產而產生現金流量。某些物業包括一部分為賺取租金或資本增值而持有，而另一部分則為生產或供應貨物或服務或行政用途而持有。倘有關部分可根據融資租賃單獨出售或出租，本集團則單獨計入該部分。倘有關部份不能單獨出售，物業只會用於生產或供應貨物或服務或行政用途所佔比例極少的情況下計入投資物業。本集團基於物業的個別情況而作出判斷，以確定配套服務是否非常重要，致使該物業不符合為投資物業。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

Income tax

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

As explained in note 27 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's PRC subsidiaries that would be distributed to their respective holding companies outside Mainland China in the foreseeable future.

The Group's investment properties at fair value in Mainland China are all held to earn rental income and/or for capital appreciation and they are considered to be held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on the Group's investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties through use.

Estimation uncertainty

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

Fair value estimation of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) by reference to independent valuations;
- (b) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

3. 主要會計判斷及估計 (續)

判斷 (續)

所得稅

使用負債法就報告期末資產與負債稅基與彼等就財務申報的賬面值之間的所有暫時差額計提遞延稅項。

如財務報表附註27所說明，於中國大陸成立的附屬公司將就二零零八年一月一日起所產生的盈利而分派的股息須繳納預扣稅。按適用預扣稅率就本集團位於中國的附屬公司將於可見將來分派予彼等各自位於中國大陸境外的控股公司的未分派盈利計提遞延稅項。

本集團位於中國大陸按公平值列賬的投資物業均持有以賺取租金收入及／或資本增值，彼等視作按其目標為隨著時間的推移消耗投資物業所包含絕大部分經濟利益而不是通過銷售的業務模式持有。因此，計量本集團按公平值列賬投資物業的遞延稅項以反映透過使用收回投資物業賬面值的稅務後果。

估計之不明朗因素

涉及日後之主要假設及於報告期末估計不明朗因素之其他主要來源(其均會導致下個財政年度之資產及負債之賬面值出現大幅調整之重大風險)載於下文：

投資物業公平值的估計

倘缺乏類似物業於活躍市場的當前價格，本集團將考慮不同來源的資料，包括：

- (a) 參考獨立估值；
- (b) 不同性質、狀況或地點(或不同租賃或其他合同)的物業於活躍市場的當前價格(須就反映該等差異作出調整)；

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Fair value estimation of investment properties *(continued)*

- (c) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (d) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 17 to the financial statements.

Properties applying for building ownership certificates

As of 31 December 2016, the Group had not obtained the building ownership certificates for certain properties located in Mainland China and was still in the progress of completing the application of these certificates. After (i) having discussions with the relevant government officials, (ii) obtaining correspondence from the relevant regulatory bodies; and (iii) taking advice from the Group's legal counsel, the Group believes that it is highly likely for the Group to obtain these certificates. Thus, no impairment of the aforesaid properties was considered necessary as of 31 December 2016. This is the best estimation by the management based on current information. Further details are given in note 16 to the financial statements.

Valuation of share options

The fair value of options granted under the share option scheme is determined using the binomial model. The significant inputs in determining the fair values include the weighted average share price at the grant date, exercise price, risk-free interest rate, dividend yield, expected volatility, expected life of options, and exit rate of directors and staff. Further details are given in note 29 to the financial statements.

3. 主要會計判斷及估計 (續)

估計之不明朗因素 (續)

投資物業公平值的估計 (續)

- (c) 類似物業於活躍程度稍遜市場的近期價格，經調整以反映自按該等價格進行交易當日起之任何經濟情況變動；及
- (d) 根據未來現金流量之可靠估計而作出之折現現金流量預測，該預測乃根據任何現有租約及其他合約之條款，以及(如有可能)外在因素(如相同地點及狀況之類似物業之現行市場租金等)而作出，並採用可反映當時市場對不確定之現金流量金額及時間之評估之折現率計算。

包括用於公平值計量的主要假設及敏感度分析的進一步詳情載於財務報表附註 17。

申請房屋所有權證的物業

截至二零一六年十二月三十一日，本集團尚未取得部份位於中國大陸的物業的房屋所有權證，目前仍在辦理該等物業的房屋所有權證之申請。在(i)與相關政府官員討論後、(ii)從相關監管機構獲取文件往來；及(iii)取得本集團法律顧問之意見後，本集團認為，極有可能取得該等物業的房屋所有權證。因此，截至二零一六年十二月三十一日，我們認為上述物業並無減值必要。此乃管理層基於目前之資料之最佳估計。進一步詳情載於財務報表附註 16。

購股權之估值

根據購股權計劃授出之購股權公平值採用二項式模型釐定，模型釐定公平值所採用之重大計算數據包括授出日期之加權平均股價、行使價、無風險利率、派息率、預期波幅、購股權預期有效期及董事與員工之流失率。有關詳情載於財務報表附註 29。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Inventory provision

The Group manufactures and sells goods and is subject to changing consumer demands and fashion trends. As a result, it is necessary to consider the recoverability of the cost of inventories and the associated provision required. When calculating the inventory provision, management considers the nature and condition of inventories, as well as applying assumptions around anticipated marketability of finished goods and the future usage of raw materials.

4. Segment Information

The Group's primary operating segment is the manufacture and sale of ladies' brassieres, panties, swimwear and sleepwear. Since this is the only operating segment of the Group, no further analysis thereof is presented. In determining the Group's geographical information, the revenue information is based on the locations of the customers, and the total non-current assets information, other than deferred tax assets, is based on the locations of the assets.

	Mainland China 中國大陸		Hong Kong 香港		Others 其他		Total 總計	
	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Revenue from external customers 外界客戶之收益	2,129,821	2,431,547	81,177	99,007	5,084	5,264	2,216,082	2,535,818
Non-current assets 非流動資產	1,329,130	1,251,298	88,376	87,065	-	-	1,417,506	1,338,363
Capital expenditure incurred during the year 年內資本開支	209,470	168,540	1,250	5,051	-	-	210,720	173,591

For the years ended 31 December 2016 and 2015, as no revenue from sales to any customer of the Group has individually accounted for over 10% of the Group's total revenue, no information about major customers is presented under HKFRS 8.

5. Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

3. 主要會計判斷及估計 (續)

估計之不明朗因素 (續)

存貨撥備

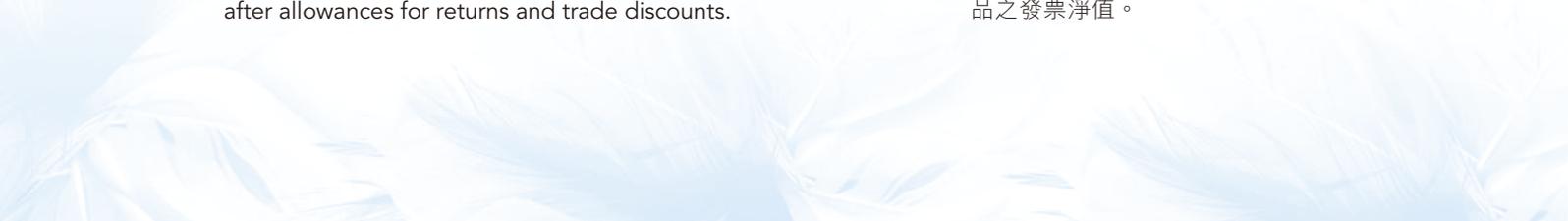
本集團製造及銷售商品，並受到消費者需求及時裝潮流不斷變化的影響。因此，有需要考慮存貨成本的可收回性以及所需的相關撥備。在計算存貨撥備時，管理層會考慮存貨的性質及狀況，並應用關於製成品預計適銷性及日後原材料用量的假設。

4. 分部資料

本集團之主要經營分部是女士胸圍、內褲、泳衣及睡衣之製造及銷售。由於此為本集團之唯一經營分部，故並無呈列進一步之分析。決定本集團之地區資料時，收益資料乃按客戶所在地為基礎，總非流動資產(遞延稅項資產除外)資料按資產所在地為基礎。

5. 收益

收益指扣除退貨及交易折扣款額後售出貨品之發票淨值。



Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

6. Other Income and Gains, Net

6. 其他收入及收益，淨額

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Other income	其他收入		
Subsidy income*	補貼收入*	39,477	39,076
Gross rental income	租金收入總額	14,534	14,663
Contingent rents receivable in respect of operating leases	經營租賃的應收或然租金	784	842
Bank interest income	銀行利息收入	2,083	2,255
Royalty income	專利權收入	278	161
Others	其他	4,460	1,766
		61,616	58,763
Gains, net	收益，淨額		
Foreign exchange differences, net	匯兌差異，淨額	(22,131)	(21,717)
Changes in fair value of investment properties (note 17)	投資物業公平值變動(附註 17)	13,000	8,000
Gain on disposal/write-off of items of property, plant and equipment, net	出售／撇銷物業、廠房及設備項目之收益，淨額	278	-
		(8,853)	(13,717)
		52,763	45,046

* There are no unfulfilled conditions or contingencies relating to this income.

* 此收入並無涉及任何未達成之條件或或然事項。

7. Other Expenses

7. 其他開支

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Charitable donation	慈善捐款	7,274	6,753
Loss on disposal/write-off of items of property, plant and equipment, net	出售／撇銷物業、廠房及設備項目之虧損，淨額	-	416
		7,274	7,169

8. Finance Costs

8. 融資成本

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Total interest on bank loans	總銀行借款利息	8,263	6,617

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

9. Profit Before Tax

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

9. 除稅前溢利

本集團之除稅前溢利已扣除/(計入)：

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Cost of inventories sold*	已售存貨成本*	471,531	466,222
Depreciation	折舊	53,476	49,533
Amortisation of prepaid land lease payments	預付土地租賃款項之攤銷	928	974
Minimum lease payments under operating leases in respect of:	有關以下各項經營租約之最低租賃款項：		
Land and buildings	土地及樓宇	79,097	85,019
Contingent rents of retail outlets in department stores	百貨公司內零售點的或然租金	545,052	636,453
Employee benefit expenses (excluding directors' and chief executive's remuneration — note 10):	僱員福利開支(不包括董事及行政總裁薪酬 — 附註 10)：		
Wages and salaries	工資及薪金	618,736	671,427
Write-back of provision for long service payments	長期服務金撥備撥回	(697)	(597)
Retirement benefit scheme contributions	退休福利計劃供款	63,881	66,111
		681,920	736,941
Auditor's remuneration	核數師酬金	2,980	3,170
Advertising and counter decoration expenses	廣告及櫃位裝飾開支	122,088	138,509
Provision for obsolete inventories, net	陳舊存貨撥備，淨額	37,366	12,413
Impairment/(write-back of impairment allowance) of trade receivables**	應收貿易賬款減值/(減值撥備撥回)**	359	(17)
Research and development expenditure	研究及開發開支	3,574	3,681
Loss/(gain) on disposal/write-off of items of property, plant and equipment, net	出售/撤銷物業、廠房及設備項目之虧損/(收益)，淨額	(278)	416
Foreign exchange differences, net	匯兌差異，淨額	22,131	21,717
Gross and net rental income	租金收入總額及淨額	(15,318)	(15,505)
Changes in fair value of investment properties	投資物業公平值變動	(13,000)	(8,000)
Bank interest income	銀行利息收入	(2,083)	(2,255)

* The cost of inventories sold for the year included HK\$175,828,000 (2015: HK\$162,118,000), relating to staff costs, depreciation of manufacturing facilities, minimum lease payments under operating leases in respect of land and buildings and the net provision for obsolete inventories, which are also included in the respective total amounts disclosed above for each type of expenses.

** The impairment/(write-back of impairment allowance) of trade receivables is included in "Administrative expenses" on the face of the consolidated income statement.

* 已售存貨成本包括員工成本、製造設備折舊、土地及樓宇經營租約之最低租賃款項及陳舊存貨撥備淨額為175,828,000港元(二零一五年：162,118,000港元)。有關總額亦已記入以上披露之各類相關開支中。

** 應收貿易賬款減值/(減值撥備撥回)，已計入綜合收益表的「行政開支」內。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

10. Directors' and Chief Executive's Remuneration

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

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Fees	袍金	993	951
Other emoluments:	其他酬金：		
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	9,032	6,896
Bonuses*	花紅*	4,031	7,497
Retirement benefit scheme contributions	退休福利計劃供款	36	36
		14,092	15,380

* Executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

The fair value of the share options granted in prior years, which had been recognised in the income statement over the vesting period, was determined as at the date of grant.

2016

		二零一六年				
		Fees	Salaries, allowances and benefits in kind	Bonuses	Retirement benefit scheme contributions	Total remuneration
		袍金 HK\$'000 千港元	薪金、 津貼及 實物利益 HK\$'000 千港元	花紅 HK\$'000 千港元	退休福利 計劃供款 HK\$'000 千港元	總薪酬 HK\$'000 千港元
<i>Executive directors:</i>		<i>執行董事：</i>				
Madam Ngok Ming Chu	岳明珠女士	-	5,087	1,647	18	6,752
Ms. Cheng Pik Ho Liza [#]	鄭碧浩女士 [#]	-	2,868	1,621	18	4,507
Ms. Lu Qun	鹿群女士	-	1,077	763	-	1,840
		-	9,032	4,031	36	13,099
<i>Independent non-executive directors:</i>		<i>獨立非執行董事：</i>				
Mr. Lau Siu Ki	劉紹基先生	331	-	-	-	331
Mr. Lee Kwan Hung	李均雄先生	331	-	-	-	331
Prof. Lee T. S.	李天生教授	331	-	-	-	331
		993	-	-	-	993
		993	9,032	4,031	36	14,092

10. 董事及行政總裁薪酬

根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)、香港公司條例第383(1)(a), (b), (c)及(f)條，以及公司(披露董事利益資料)規例第2部披露如下：

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Fees	袍金	993	951
Other emoluments:	其他酬金：		
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	9,032	6,896
Bonuses*	花紅*	4,031	7,497
Retirement benefit scheme contributions	退休福利計劃供款	36	36
		14,092	15,380

* 本公司執行董事有權獲派發花紅，而花紅金額則按本集團除稅後溢利的一定百分比釐定。

就於歸屬期內在收益表確認的購股權，其公平值於授出日期釐定。

二零一六年

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

10. Directors' and Chief Executive's Remuneration (continued)

2015

		二零一五年				
		Fees	Salaries, allowances and benefits in kind	Bonuses	Retirement benefit scheme contributions	Total remuneration
		袍金	薪金、津貼及實物利益	花紅	退休福利計劃供款	總薪酬
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元
<i>Executive directors:</i>	<i>執行董事：</i>					
Madam Ngok Ming Chu	岳明珠女士	–	3,105	3,086	18	6,209
Ms. Cheng Pik Ho Liza [#]	鄭碧浩女士 [#]	–	2,753	2,839	18	5,610
Ms. Lu Qun ^{##}	鹿群女士 ^{##}	–	1,038	1,572	–	2,610
		–	6,896	7,497	36	14,429
<i>Independent non-executive directors:</i>	<i>獨立非執行董事：</i>					
Mr. Lau Siu Ki	劉紹基先生	317	–	–	–	317
Mr. Lee Kwan Hung	李均雄先生	317	–	–	–	317
Prof. Lee T. S.	李天生教授	317	–	–	–	317
		951	–	–	–	951
		951	6,896	7,497	36	15,380

[#] Ms. Cheng Pik Ho Liza, a director of the Company, is also the chief executive officer of the Company.

^{##} Ms. Lu Qun was appointed as an executive director of the Company on 2 February 2015.

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

10. 董事及行政總裁薪酬 (續)

二零一五年

		Fees	Salaries, allowances and benefits in kind	Bonuses	Retirement benefit scheme contributions	Total remuneration
		袍金	薪金、津貼及實物利益	花紅	退休福利計劃供款	總薪酬
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元
<i>Executive directors:</i>	<i>執行董事：</i>					
Madam Ngok Ming Chu	岳明珠女士	–	3,105	3,086	18	6,209
Ms. Cheng Pik Ho Liza [#]	鄭碧浩女士 [#]	–	2,753	2,839	18	5,610
Ms. Lu Qun ^{##}	鹿群女士 ^{##}	–	1,038	1,572	–	2,610
		–	6,896	7,497	36	14,429
<i>Independent non-executive directors:</i>	<i>獨立非執行董事：</i>					
Mr. Lau Siu Ki	劉紹基先生	317	–	–	–	317
Mr. Lee Kwan Hung	李均雄先生	317	–	–	–	317
Prof. Lee T. S.	李天生教授	317	–	–	–	317
		951	–	–	–	951
		951	6,896	7,497	36	15,380

[#] 本公司董事鄭碧浩女士亦擔任本公司之行政總裁。

^{##} 鹿群女士於二零一五年二月二日獲委任為本公司執行董事。

有關期間內並無董事或行政總裁免收或同意免收任何薪酬之安排。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

11. Five Highest Paid Individuals

The five highest paid employees during the year included three (2015: three) directors, details of whose remuneration are set out in note 10 to the financial statements above. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are neither directors nor chief executive of the Company are as follows:

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Salaries, allowances and benefits in kind	薪金、津貼及實物利益	2,854	2,641
Bonuses	花紅	1,393	2,123
Retirement benefit scheme contributions	退休福利計劃供款	61	78
		4,308	4,842

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

		Number of employees 僱員人數	
		2016 二零一六年	2015 二零一五年
Nil to HK\$1,000,000	零至 1,000,000 港元	–	–
HK\$1,000,001 to HK\$1,500,000	1,000,001 港元至 1,500,000 港元	1	–
HK\$1,500,001 to HK\$2,000,000	1,500,001 港元至 2,000,000 港元	–	1
HK\$2,000,001 to HK\$2,500,000	2,000,001 港元至 2,500,000 港元	–	–
HK\$2,500,001 to HK\$3,000,000	2,500,001 港元至 3,000,000 港元	1	1
		2	2

The fair value of the share options granted in prior years, which had been recognised in the income statement over the vesting period, was determined as at the date of grant.

11. 五名最高薪人士

年內五名最高薪人士包括三名董事(二零一五年：三名)，其薪酬詳情已於上文財務報表附註10載述。年內其餘兩名(二零一五年：兩名)非本公司董事或行政總裁之最高薪僱員之薪酬詳情如下：

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Salaries, allowances and benefits in kind	薪金、津貼及實物利益	2,854	2,641
Bonuses	花紅	1,393	2,123
Retirement benefit scheme contributions	退休福利計劃供款	61	78
		4,308	4,842

薪酬屬於以下組別之非董事及非行政總裁最高薪僱員人數如下：

		Number of employees 僱員人數	
		2016 二零一六年	2015 二零一五年
Nil to HK\$1,000,000	零至 1,000,000 港元	–	–
HK\$1,000,001 to HK\$1,500,000	1,000,001 港元至 1,500,000 港元	1	–
HK\$1,500,001 to HK\$2,000,000	1,500,001 港元至 2,000,000 港元	–	1
HK\$2,000,001 to HK\$2,500,000	2,000,001 港元至 2,500,000 港元	–	–
HK\$2,500,001 to HK\$3,000,000	2,500,001 港元至 3,000,000 港元	1	1
		2	2

就於歸屬期內在收益表確認的購股權，其公平值於授出日期釐定。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

12. Income Tax

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

12. 所得稅

香港利得稅乃根據年內估計在香港產生之應課稅溢利，按16.5%(二零一五年：16.5%)之稅率作出撥備。其他地方應課稅溢利之稅項已按本集團經營業務地區之目前稅率計算。

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Current — Hong Kong	即期稅項—香港		
Charge for the year	年內稅項	811	788
Overprovision in prior years	過往年度之超額撥備	(20)	(20)
Current — Mainland China	即期稅項—中國大陸		
Charge for the year	年內稅項	72,844	90,509
Deferred (note 27)	遞延(附註27)	(13,590)	5,737
Total tax charge for the year	年度之總稅項支出	60,045	97,014

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the regions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

以本公司及其大部份附屬公司註冊地區之法定稅率及除稅前溢利計算之稅項開支，與使用實際稅率計算之稅項開支的對賬如下：

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Profit before tax	除稅前溢利	158,447	298,588
Tax at the applicable rates	適用稅率計算之稅項	42,977	77,595
Adjustments in respect of current tax of previous periods	調整過往期間之即期稅項	(20)	(20)
Income not subject to tax	毋須課稅之收入	(495)	(1,320)
Expenses not deductible for tax	不可扣稅之開支	8,499	5,965
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	對本集團之中國附屬公司可供分派溢利徵收預扣稅之影響	-	11,028
Tax losses not recognised	未確認稅項虧損	7,725	8,776
Others	其他	1,359	(5,010)
Tax charge at the Group's effective rate	按本集團之實際稅率計算之稅項支出	60,045	97,014

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

13. 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:

13. 有關連人士交易

- (a) 除該等財務報表其他部份所述之交易外，本集團於年內與有關連人士進行之重大交易如下：

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
	Notes 附註		
<i>Continuing transactions</i>	<i>持續交易</i>		
Purchases of furniture and decoration services for counters and shops as well as different types of moulds from related companies	向關連公司購買櫃位及店舖之傢俬及裝修服務以及各類型模具	(i) 16,622	15,523
Rental expenses and utilities expenses for a property charged by a related company	關連公司收取物業之租金及公共設施開支	(ii) 272	1,204
Rental expenses for a warehouse charged by a director of the Company	本公司董事收取倉庫之租金開支	(iii) 167	167
Consultancy fee to a controlling shareholder of the Company	向本公司控股股東支付之顧問費	(iv) 1,321	1,583

Notes:

- (i) The purchases of furniture and decoration services for counters and shops as well as different types of moulds from 多思維五金塑料製品(深圳)有限公司 (Duosiwei Metal & Plastic Products (Shenzhen) Co., Ltd.) and 常州多思維傢俱裝飾工程有限公司 (Changzhou Duosiwei Furniture Decoration Construction Co., Ltd.), related companies controlled by a close family member of Mr. Cheng Man Tai, a controlling shareholder of the Company, Madam Ngok Ming Chu and Ms. Cheng Pik Ho Liza, two executive directors of the Company, were made according to the terms similar to those offered by the Group's independent suppliers. The balances owed to related companies as at 31 December 2016 amounted to HK\$7,540,000 (2015: HK\$3,557,000) and were unsecured, interest-free and repayable in accordance with normal trading terms. The amounts have been included in other payables and accruals as at the end of the year.
- (ii) The rental expenses and utilities expenses charged by 常州安莉芳發展有限公司 (Changzhou Embry Development Limited), a related company, which was controlled by Ms. Cheng Pik Ho Liza, an executive director of the Company, and close family members of Mr. Cheng Man Tai, a controlling shareholder of the Company, Madam Ngok Ming Chu and Ms. Cheng Pik Ho Liza, two executive directors of the Company, were determined with reference to the then prevailing market conditions. The Group entered into a new tenancy agreement with the related company effective from 10 April 2016 subsequent to the termination of the previous tenancy agreement on 31 May 2015.

附註：

- (i) 向本公司一名控股股東鄭敏泰先生及兩位執行董事岳明珠女士及鄭碧浩女士的一名親屬所控制之關連公司多思維五金塑料製品(深圳)有限公司及常州多思維傢俱裝飾工程有限公司購買櫃位及店舖之傢俬及裝修服務以及各類型模具條款與本集團獨立供應商所提供之條款相若。於二零一六年十二月三十一日欠付關連公司之結餘為7,540,000港元(二零一五年: 3,557,000港元)乃無抵押、免息及需按一般買賣條款償還。該等款額已於年末結算日列作其他應付款項及應計款項。
- (ii) 由本公司執行董事鄭碧浩女士及本公司控股股東鄭敏泰先生與兩位執行董事岳明珠女士及鄭碧浩女士之親屬所控制之關連公司常州安莉芳發展有限公司收取之租金及公共設施開支乃參考當時之市況釐定。舊有租賃協議於二零一五年五月三十一日終止後，本集團與關聯公司簽訂新租賃協議，該協議由二零一六年四月十日起生效。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

13. Related Party Transactions (continued)

(a) (continued)
Notes: (continued)

- (iii) The rental expenses were charged by Madam Ngok Ming Chu, an executive director of the Company, and determined with reference to the then prevailing market conditions.
- (iv) Mr. Cheng Man Tai, a controlling shareholder of the Company, had been engaged as a consultant of the Company for a term of one year with effect from 25 March 2014 and has been re-engaged for second and third terms of one year effective from 25 March 2015 and 25 March 2016, respectively. The terms of consultancy fee were based on consultancy agreements entered into between the Group and Mr. Cheng Man Tai.

The above transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed in the report of the directors.

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

(b) Compensation of key management personnel of the Group

Short term employee benefits	短期僱員福利
Post-employment benefits	離職後福利
Total compensation paid to key management personnel	支付予主要管理人員之總薪酬

Further details of directors' and chief executive's remuneration are included in note 10 to the financial statements.

13. 有關連人士交易 (續)

(a) (續)
附註：(續)

- (iii) 租金開支乃由本公司執行董事岳明珠女士收取並參考當時之市況釐定。
- (iv) 本公司控股股東鄭敏泰先生自二零一四年三月二十五日起獲委聘為本公司顧問為期一年，並分別自二零一五年三月二十五日及二零一六年三月二十五日獲第二屆及第三屆續聘為期一年。顧問費的條款是根據本集團及本公司控股股東鄭敏泰先生之間的協議釐定。

根據上市規則第14A章，以上交易構成持續關連交易，有關詳情已於董事會報告內披露。

董事認為上述交易是於本集團日常業務過程中進行。

(b) 本集團主要管理人員之薪酬

	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Short term employee benefits	19,510	21,610
Post-employment benefits	270	331
Total compensation paid to key management personnel	19,780	21,941

董事及行政總裁薪酬的詳情載於財務報表附註10。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

14. Dividends

14. 股息

	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Dividends paid during the year		
Final and special in respect of the financial year ended 31 December 2015 — HK9.0 cents and HK1.0 cent, respectively, per ordinary share (2015: 31 December 2014 — HK8.0 cents and HK2.0 cents, respectively, per ordinary share)	41,666	41,666
Interim — HK2.5 cents (2015: HK4.0 cents) per ordinary share	10,417	16,666
	52,083	58,332
Proposed final dividend		
Final — HK4.3 cents per ordinary share (2015: Final and special — HK9.0 cents and HK1.0 cent, respectively, per ordinary share)	17,916	41,666

The proposed final dividend for the year, with a scrip dividend alternative, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

年內擬派末期股息(附有以股代息的選擇)須待本公司股東於應屆股東週年大會上批准。該等財務報表並未反映應付末期股息。

15. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company of HK\$98,402,000 (2015: HK\$201,574,000) and 416,661,000 (2015: 416,661,000) ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 31 December 2015.

15. 本公司擁有人應佔每股盈利

每股基本盈利乃根據年內本公司擁有人應佔溢利98,402,000港元(二零一五年: 201,574,000港元)及年內已發行普通股416,661,000股(二零一五年: 416,661,000股)計算。

本集團於截至二零一六年十二月三十一日止年度及截至二零一五年十二月三十一日止年度並無已發行潛在攤薄普通股。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

16. Property, Plant and Equipment

16. 物業、廠房及設備

		Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment 傢俬、裝置 及辦公室 設備	Motor vehicles	Construction in progress	Total
		租賃土地 及樓宇	租賃物業 裝修	廠房及 機器	及辦公室 設備	汽車	在建工程	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元
31 December 2016	二零一六年十二月三十一日							
Cost:	成本：							
At 1 January 2016	於二零一六年一月一日	906,124	3,690	106,558	206,827	16,949	38,969	1,279,117
Additions	添置	196	-	2,530	38,193	1,492	168,309	210,720
Disposals/write-off	出售/撇銷	-	-	(6)	(9,716)	(2,572)	-	(12,294)
Transfers	轉撥	817	-	1,508	1,928	-	(4,253)	-
Exchange realignment	匯兌調整	(58,502)	-	(7,340)	(14,384)	(804)	(11,712)	(92,742)
At 31 December 2016	於二零一六年十二月三十一日	848,635	3,690	103,250	222,848	15,065	191,313	1,384,801
Accumulated depreciation:	累計折舊：							
At 1 January 2016	於二零一六年一月一日	94,752	3,690	53,427	137,952	11,831	-	301,652
Provided during the year	年內撥備	18,759	-	7,563	25,512	1,642	-	53,476
Disposals/write-off	出售/撇銷	-	-	(6)	(9,691)	(2,557)	-	(12,254)
Exchange realignment	匯兌調整	(6,644)	-	(4,002)	(9,046)	(594)	-	(20,286)
At 31 December 2016	於二零一六年十二月三十一日	106,867	3,690	56,982	144,727	10,322	-	322,588
Net book value:	賬面淨值：							
At 31 December 2016	於二零一六年十二月三十一日	741,768	-	46,268	78,121	4,743	191,313	1,062,213

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

16. Property, Plant and Equipment (continued)

16. 物業、廠房及設備 (續)

		Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment 傢俬、裝置 及辦公室 設備	Motor vehicles	Construction in progress	Total
		租賃土地 及樓宇 HK\$'000 千港元	租賃物業 裝修 HK\$'000 千港元	廠房及 機器 HK\$'000 千港元	及辦公室 設備 HK\$'000 千港元	汽車 HK\$'000 千港元	在建工程 HK\$'000 千港元	總計 HK\$'000 千港元
31 December 2015	二零一五年十二月三十一日							
Cost:	成本：							
At 1 January 2015	於二零一五年一月一日	682,935	3,690	103,121	183,795	15,951	204,093	1,193,585
Additions	添置	-	-	11,412	25,935	2,744	133,500	173,591
Disposals/write-off	出售/撤銷	-	-	(4,928)	(8,362)	(979)	-	(14,269)
Transfers	轉撥	271,789	-	3,483	16,865	-	(292,137)	-
Exchange realignment	匯兌調整	(48,600)	-	(6,530)	(11,406)	(767)	(6,487)	(73,790)
At 31 December 2015	於二零一五年十二月三十一日	906,124	3,690	106,558	206,827	16,949	38,969	1,279,117
Accumulated depreciation:	累計折舊：							
At 1 January 2015	於二零一五年一月一日	81,159	3,690	54,157	131,681	11,609	-	282,296
Provided during the year	年內撥備	18,490	-	7,249	22,082	1,712	-	49,533
Disposals/write-off	出售/撤銷	-	-	(4,620)	(8,150)	(959)	-	(13,729)
Exchange realignment	匯兌調整	(4,897)	-	(3,359)	(7,661)	(531)	-	(16,448)
At 31 December 2015	於二零一五年十二月三十一日	94,752	3,690	53,427	137,952	11,831	-	301,652
Net book value:	賬面淨值：							
At 31 December 2015	於二零一五年十二月三十一日	811,372	-	53,131	68,875	5,118	38,969	977,465

At 31 December 2016, the Group was still in the progress of obtaining the building ownership certificates for certain buildings in Mainland China with a net book value of approximately HK\$161,835,000 (2015: HK\$177,091,000). In the opinion of the directors of the Company, there is no major barrier for the Group to obtain these building ownership certificates.

於二零一六年十二月三十一日，本集團仍在辦理其位於中國大陸中的數座物業的房屋所有權證之手續，該等物業的賬面淨值約161,835,000港元(二零一五年：177,091,000港元)。本公司董事認為，本集團就取得該等物業的房屋所有權證並無重大障礙。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

17. Investment Properties

17. 投資物業

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Carrying amount at 1 January	於一月一日之賬面值	311,121	318,699
Changes in fair value (notes 6 and 9)	公平值變動(附註6及9)	13,000	8,000
Exchange realignment	匯兌調整	(16,963)	(15,578)
Carrying amount at 31 December	於十二月三十一日之賬面值	307,158	311,121

The Group's investment properties are situated at 6th Floor, Wyler Centre II, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong and certain floors of the building located at No. 508, Kunming Road, Yangpu District, Shanghai City, the PRC and are held under medium term leases.

The Group's investment properties situated in Hong Kong and Mainland China were revalued on 31 December 2016 based on valuations performed by DTZ Cushman & Wakefield Limited, a firm of independent professionally qualified valuers.

Each year, the Group appoints an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria of an external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The management discusses with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

There has been no change from the valuation technique used in prior years. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 31(a) to the financial statements.

Fair value hierarchy

The fair value of the Group's investment properties as at 31 December 2016 and 31 December 2015 are estimated by using significant unobservable inputs and the fair value measurements are categorised under Level 3.

本集團之投資物業分別位於香港新界葵涌大連排道200號偉倫中心2期6樓及中國上海市楊浦區昆明路508號該大廈若干樓層。本集團之投資物業乃根據中期租約持有。

本集團之投資物業分別位於香港及中國大陸由獨立專業合資格估值師行戴德梁行有限公司重估。

每年，本集團委聘外聘估值師負責對本集團之物業進行外部估值。外聘估值師的甄選準則包括市場知識、聲譽、獨立性及是否可保持專業標準。管理層每年兩次於中期及年度財務報告期間進行估值時與估值師對估值假設及估值結果進行討論。

往年使用之估值方法並無變動。於估計物業之公平價值時，有關物業之最高及最佳用途為其當前用途。

投資物業以經營租賃租予第三方，其詳情載於財務報表附註31(a)。

公平價值等級

於二零一六年十二月三十一日及二零一五年十二月三十一日，本集團以重大不可觀察輸入數據估計之投資物業之公平價值及公平價值計量分類於第三級項下。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

17. Investment Properties (continued)

Fair value hierarchy (continued)

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

		Hong Kong 香港 HK\$'000 千港元	Mainland China 中國大陸 HK\$'000 千港元
Carrying amount at 1 January 2015	於二零一五年一月一日之賬面值	57,000	261,699
Changes in fair value recognised in the income statement	於收益表內確認之公平價值變動	8,000	-
Exchange realignment	匯兌調整	-	(15,578)
Carrying amount at 31 December 2015 and at 1 January 2016	於二零一五年十二月三十一日及二零一六年一月一日之賬面值	65,000	246,121
Changes in fair value recognised in the income statement	於收益表內確認之公平價值變動	3,000	10,000
Exchange realignment	匯兌調整	-	(16,963)
Carrying amount at 31 December 2016	於二零一六年十二月三十一日之賬面值	68,000	239,158

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

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

17. 投資物業(續)

公平價值等級(續)

於公平價值等級第三級內分類之公平價值計量對賬：

年內，第一級與第二級之間概無轉換公平價值計量，亦無轉入第三級或自第三級轉出(二零一五年：無)。

以下為投資物業估值使用估值方法及主要輸入數據之概要：

Class of property 物業類別	Valuation techniques 估值方法	Significant unobservable inputs 重大不可觀察輸入數據	Range of unobservable inputs 不可觀察輸入數據範圍	
			2016 二零一六年	2015 二零一五年
Hong Kong — Commercial properties — Level 3 香港 — 商用物業 — 第三級	Market comparable method 市場比較法	Gross unit rate per square feet (note i) 每平方呎總單位價值 (附註 i)	HK\$2,600– HK\$2,700 2,600 港元– 2,700 港元	HK\$2,500– HK\$2,600 2,500 港元– 2,600 港元
Mainland China — Commercial properties — Level 3 中國大陸 — 商用物業 — 第三級	Income capitalisation approach 收入資本化法	Capitalisation rate per annum (note ii) 每年資本化率(附註 ii)	4%–5% 4%–5%	4%–5% 4%–5%

Notes:

- i. The higher the gross unit rate per square feet, the higher the fair value.
- ii. The higher the capitalisation rate per annum, the lower the fair value.

附註：

- i. 每平方呎總單位價值越高，公平值越高。
- ii. 每年資本化率越高，公平值越低。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

18. Prepaid Land Lease Payments

18. 預付土地租賃款項

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Cost:	成本：		
At 1 January	於一月一日	42,871	43,755
Additions	添置	-	1,784
Exchange realignment	匯兌調整	(2,858)	(2,668)
At 31 December	於十二月三十一日	40,013	42,871
Amortisation:	攤銷：		
At 1 January	於一月一日	4,569	3,859
Recognised during the year	年內確認	928	974
Exchange realignment	匯兌調整	(357)	(264)
At 31 December	於十二月三十一日	5,140	4,569
Carrying amount at 31 December	於十二月三十一日之賬面值	34,873	38,302
Current portion included in prepayments, deposits and other receivables (note 21)	計入預付款項、按金及其他應收款項之即期部份(附註21)	(877)	(939)
Non-current portion	非即期部份	33,996	37,363

Subsequent to the end of the reporting period, on 3 March 2017, the Group entered into agreements with the Land and Resources Bureau of Zhangqiu Municipality, Jinan City to acquire land use right of two pieces of land located in Shandong Province at a total consideration of RMB12,090,000 (approximately HK\$13,433,000).

於報告期結束後，於二零一七年三月三日，本集團與濟南市章丘區國土資源局訂立協議，以總代價12,090,000人民幣(約13,433,000港元)收購位於山東省的兩幅土地的土地使用權。

19. Inventories

19. 存貨

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Raw materials	原材料	60,309	35,480
Work in progress	在製品	39,633	41,686
Finished goods	製成品	559,405	639,687
		659,347	716,853

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

20. Trade Receivables

The Group's trading terms with its customers are mainly on credit, except for wholesalers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables by the sales department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

Within 90 days	90日內
91 to 180 days	91至180日
181 to 360 days	181至360日
Over 360 days	360日以上
Less: Impairment allowance	減：減值撥備

At 31 December 2016, trade receivables of HK\$2,034,000 (2015: HK\$1,675,000) were individually determined to be impaired. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

20. 應收貿易賬款

本集團主要以信貸期形式與客戶進行買賣，惟一般會要求批發商預先付款。信貸期一般為一個月，主要客戶之信貸期則可延至三個月。本集團之銷售部嚴控未收之應收款項，以減低信貸風險。逾期結餘由高級管理層定期檢討。鑑於上文所述及本集團之應收貿易賬款涉及多元化之客戶群且客戶人數眾多，故並無信貸過度集中之風險。本集團並無就其應收貿易賬款結餘持有任何抵押品或其他信貸加強措施。應收貿易賬款並不計息。

本集團於報告期間結算日之應收貿易賬款根據發票日期之賬齡分析如下：

	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Within 90 days	79,516	86,886
91 to 180 days	5,704	3,600
181 to 360 days	977	1,017
Over 360 days	1,057	658
	87,254	92,161
Less: Impairment allowance	(2,034)	(1,675)
	85,220	90,486

於二零一六年十二月三十一日，本集團個別釐定應予以減值的應收貿易賬款為2,034,000港元(二零一五年：1,675,000港元)。個別減值應收貿易賬款與出現財務困難的客戶有關，預期只可收回部份應收賬款。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

20. Trade Receivables (continued)

Movements in provision for impairment of trade receivables are as follows:

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
At 1 January	於一月一日	1,675	1,692
Impairment losses recognised/(written back) (note 9)	減值虧損確認/(撥回)(附註9)	359	(17)
At 31 December	於十二月三十一日	2,034	1,675

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Neither past due nor impaired	未逾期亦未減值	79,516	86,886
1 to 3 months past due	已逾期1個月至3個月	5,704	3,600
		85,220	90,486

Trade 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.

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

20. 應收貿易賬款(續)

應收貿易賬款之減值撥備變動如下：

	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
At 1 January	1,675	1,692
Impairment losses recognised/(written back) (note 9)	359	(17)
At 31 December	2,034	1,675

視作為未減值之應收貿易賬款賬齡分析如下：

	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Neither past due nor impaired	79,516	86,886
1 to 3 months past due	5,704	3,600
	85,220	90,486

未逾期亦未減值之應收貿易賬款乃與大量近期並無違約記錄之多名客戶有關。

已逾期但未減值之應收貿易賬款乃與多名與本集團維持良好往績記錄之獨立客戶有關。根據以往經驗，由於信貸質素並無出現重大變動，且有關結餘仍被視為可全數收回，本公司董事認為毋須就該等結餘作出減值撥備。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

21. Prepayments, Deposits and Other Receivables

21. 預付款項、按金及其他應收款項

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Prepaid land lease payments (note 18)	預付土地租賃款項(附註18)	877	939
Deposit paid and related direct cost for the land use right in Shandong	收購山東土地使用權已付按金及相關直接費用	2,340	2,507
Deposits for acquisition of items of property, plant and equipment	收購物業、廠房及設備項目已付按金	11,799	9,907
Prepayments	預付款項	16,059	15,494
Deposits and other receivables	按金及其他應收款項	41,373	39,902
		72,448	68,749
Current portion included in prepayments, deposits and other receivables	計入預付款項、按金及其他應收款項之即期部份	(58,309)	(56,335)
Non-current portion	非即期部份	14,139	12,414

None of the financial assets included in the above balances 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.

上述結餘的金融資產概無逾期或減值。計入上述結餘的金融資產為最近未有拖欠的應收款項。

22. Cash and Cash Equivalents

22. 現金及現金等價物

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Cash and bank balances	現金及銀行結餘	101,298	173,493
Non-pledged time deposits with original maturity of less than three months when acquired	於購入時原到期日為少於三個月之無抵押定期存款	88,889	59,524
Cash and cash equivalents	現金及現金等價物	190,187	233,017

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

22. Cash and Cash Equivalents (continued)

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$179,009,000 (2015: HK\$220,374,000). 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 normally made for varying periods of between approximately one day and three months on average depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. Trade Payables

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

Within 90 days	90日內
91 to 180 days	91至180日
181 to 360 days	181至360日
Over 360 days	360日以上

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days terms.

22. 現金及現金等價物 (續)

本集團於報告期間結算日以人民幣計值之現金及銀行結餘為179,009,000港元(二零一五年: 220,374,000港元)。人民幣是不可自由兌換為其他貨幣，惟根據中國大陸之外匯管理條例，以及結匯、售匯及付匯管理規定，本集團獲准透過獲授權進行外匯交易業務之銀行將人民幣兌換為其他貨幣。

銀行存款根據每日銀行存款利率釐定之浮動利率計息。短期定期存款通常平均為期約一日至三個月不等，視乎本集團當時之現金需求而定，並按有關之短期定期存款利率計息。銀行結餘存放於近期並無違約記錄之信譽良好銀行。

23. 應付貿易賬款

本集團於報告期間結算日之應付貿易賬款根據發票日期之賬齡分析如下：

	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Within 90 days	80,240	60,837
91 to 180 days	3,051	3,424
181 to 360 days	2,018	1,207
Over 360 days	2,369	2,738
	87,678	68,206

應付貿易賬款並不計息，一般於30至90日內結清。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

24. Interest-bearing Bank Borrowings

24. 計息銀行借款

		2016 二零一六年			2015 二零一五年		
		Effective interest rate 實際利率 (%)	Maturity 到期日	HK\$'000 千港元	Effective interest rate 實際利率 (%)	Maturity 到期日	HK\$'000 千港元
Current Bank loans — unsecured	即期 銀行貸款 — 無抵押	香港銀行 同業拆息+1.75至 香港銀行 同業拆息+2.25 Hong Kong Interbank Offered Rate ("HIBOR")+1.75 to HIBOR+2.25	2017 二零一七年	133,278	香港銀行 同業拆息+1.08至 香港銀行 同業拆息+2.25 HIBOR+1.08 to HIBOR+2.25	2016 二零一六年	124,878
	非即期 銀行貸款 — unsecured	香港銀行 同業拆息+1.85至 香港銀行 同業拆息+1.95 HIBOR+1.85 to HIBOR+1.95	2018-2021 二零一八年至 二零二一年	221,555	香港銀行 同業拆息+1.85至 香港銀行 同業拆息+2.25 HIBOR+1.85 to HIBOR+2.25	2017-2020 二零一七年至 二零二零年	183,333

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Analysed into:	分析：		
Bank loans repayable:	於下列期間償還之銀行貸款：		
Within one year	一年內	133,278	124,878
In the second year	第二年	57,278	37,778
In the third to fifth years, inclusive	第三至第五年(包括首尾年度)	164,277	145,555
		354,833	308,211
Less: Amount repayable within one year and classified as current portion	減：於一年內償還並列為 即期部分的金額	(133,278)	(124,878)
Amount classified as non-current portion	列為非即期部分的金額	221,555	183,333

The above bank loans are denominated in Hong Kong dollars and bear interest at rates ranging from 1.75% to 2.25% above the HIBOR per annum (2015: 1.08% to 2.25% above the HIBOR per annum).

上述銀行貸款以港元計值並按香港銀行同業拆息年利率加1.75厘至2.25厘計算(二零一五年：按香港銀行同業拆息年利率加1.08厘至2.25厘計算)。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

25. Other Payables and Accruals

Other payables 其他應付款項
Accruals 應計款項

2016	2015
二零一六年	二零一五年
HK\$'000	HK\$'000
千港元	千港元
107,367	105,596
166,807	124,437
274,174	230,033

The amounts of HK\$7,540,000 (2015: HK\$3,557,000) included in other payables of the Group were due to related companies as at 31 December 2016. These balances were unsecured, interest-free and repayable in accordance with normal trading terms (note 13(a)(i)).

Other payables are non-interest-bearing.

25. 其他應付款項及應計款項

本集團於其他應付款項所包括的7,540,000港元(二零一五年: 3,557,000港元)為於二零一六年十二月三十一日應付關連公司之款項。該等結餘為無抵押、免息及需按一般買賣條款償還(附註13(a)(i))。

其他應付款項為不計息。

26. Deferred Liabilities

Deferred liabilities represent the estimated provision in respect of long service payments which may become payable in the future under the Hong Kong Employment Ordinance to employees in proportion to their periods of services with the Group up to the end of the reporting period.

26. 遞延負債

遞延負債指截至報告期間結算日有關長期服務金之估計撥備。長期服務金可能須根據香港僱傭條例按僱員於本集團之年資而向僱員支付。

		2016	2015
		二零一六年	二零一五年
		HK\$'000	HK\$'000
		千港元	千港元
At 1 January	於一月一日	3,083	4,070
Write-back of provision for the year (note 9)	年度之撥備撥回(附註9)	(697)	(597)
Payments during the year	年度之付款	(497)	(390)
At 31 December	於十二月三十一日	1,889	3,083

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

27. Deferred Tax

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

27. 遞延稅項

年內遞延稅項負債及資產變動如下：

		Revaluation of properties	Depreciation allowance in excess of related depreciation	Unrealised profit of inventories	Withholding taxes on undistributed profits on PRC subsidiaries	Temporary difference of provisions and accruals	Withholding taxes on interest income	Deferred subsidy income	Others	Total
		物業重估	折舊減免額 超逾相關折舊	未變現存貨溢利	中國附屬公司未分派溢利之預扣稅	撥備及應計款項之暫時差額	利息收入之預扣稅	遞延補貼收入	其他	總計
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 January 2015	於二零一五年一月一日	1,898	1,598	(35,075)	28,404	(30,350)	261	(6,704)	-	(39,968)
Deferred tax charged/ (credited) to the income statement during the year (note 12)	年內在收益表扣除/ (抵免)之遞延稅項 (附註12)	-	99	(6,824)	11,028	1,220	776	149	(711)	5,737
Payments during the year	年內支付	-	-	-	(4,686)	-	(655)	-	-	(5,341)
Exchange realignment	匯兌調整	(113)	-	2,331	(1,918)	1,764	(19)	394	25	2,464
At 31 December 2015 and 1 January 2016	於二零一五年十二月三十一日及二零一六年一月一日	1,785	1,697	(39,568)	32,828	(27,366)	363	(6,161)	(686)	(37,108)
Deferred tax charged/ (credited) to the income statement during the year (note 12)	年內在收益表扣除/ (抵免)之遞延稅項 (附註12)	2,500	99	(2,898)	-	(14,767)	656	142	678	(13,590)
Payments during the year	年內支付	-	-	-	-	-	(677)	-	-	(677)
Exchange realignment	匯兌調整	(258)	-	2,799	(2,188)	2,606	(23)	403	8	3,347
At 31 December 2016	於二零一六年十二月三十一日	4,027	1,796	(39,667)	30,640	(39,527)	319	(5,616)	-	(48,028)

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

27. Deferred Tax (continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

Deferred tax assets recognised in the consolidated statement of financial position	於綜合財務狀況表確認之遞延稅項資產
Deferred tax liabilities recognised in the consolidated statement of financial position	於綜合財務狀況表確認之遞延稅項負債

2016	2015
二零一六年	二零一五年
HK\$'000	HK\$'000
千港元	千港元

(84,810)	(73,781)
36,782	36,673
(48,028)	(37,108)

The Group has tax losses arising in Hong Kong of approximately HK\$219,939,000 (2015: HK\$174,320,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Macau of HK\$14,083,000 (2015: HK\$12,433,000) that will expire in three years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and 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 jurisdiction of the foreign investors. For the Group, the applicable rates are 5% and 10%. In estimating the withholding taxes on dividends expected to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operation in the foreseeable future.

At 31 December 2016, the aggregate withholding tax amount arising from the temporary differences associated with these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$18,351,000 (2015: HK\$12,496,000).

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

27. 遞延稅項 (續)

以下為本集團就財務申報而言之遞延稅項結餘分析：

本集團於香港產生之稅項虧損約219,939,000港元(二零一五年：174,320,000港元)可無限期供抵銷產生虧損公司之未來應課稅溢利。本集團亦在澳門產生稅項虧損14,083,000港元(二零一五年：12,433,000港元)，將於三年內屆滿，可抵銷產生虧損公司未來應課稅溢利。由於該等虧損乃來自自己持續虧損一段時間之本公司及附屬公司且被認為可能不會有應課稅溢利可供動用稅項虧損，故並無就該等虧損確認遞延稅項資產。

根據中國企業所得稅法，於中國大陸成立之外資企業向外國投資者宣派之股息須繳納10%之預扣稅。有關規定於二零零八年一月一日起生效，且適用於二零零七年十二月三十一日後之盈利。倘中國大陸與外國投資者所屬司法權區訂有稅務條約，則適用之預扣稅稅率可能較低。就本集團而言，適用稅率為5%及10%。估計該等於中國大陸成立的附屬公司預期將就二零零八年一月一日起所產生的盈利而分派股息的預扣稅時，董事已根據包括股息政策及本集團於可見將來經營所需的資本及營運資金水平等因素作出評估。

於二零一六年十二月三十一日，與該等位於中國大陸的附屬公司相關而未確認遞延稅項負債的暫時預扣稅總差額合共約為18,351,000港元(二零一五年：12,496,000港元)。

本公司向其股東派付股息概無附帶任何所得稅稅務後果。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

28. Share Capital

28. 股本

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Authorised:	法定：		
1,000,000,000 ordinary shares of HK\$0.01 each	1,000,000,000 股 每股面值 0.01 港元的普通股	10,000	10,000
Issued and fully paid:	已發行及繳足：		
416,661,000 (2015: 416,661,000) ordinary shares of HK\$0.01 each	416,661,000 股 (二零一五年： 416,661,000 股) 每股面值 0.01 港元的普通股	4,166	4,166

29. Share Option Scheme

The Company has adopted a share option scheme on 18 December 2006 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group.

Share Option Scheme

Eligible participants of the Share Option Scheme include, (i) any employee (whether full time or part time, including directors but excluding any non-executive director) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support to the Group or any invested entity; (v) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; (vi) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (viii) any company wholly-owned by one or more eligible participants as referred in to (i) to (vii) above. The Share Option Scheme became effective on 18 December 2006 and, unless otherwise cancelled or amended, will remain in force for a period of ten years to 17 December 2016.

29. 購股權計劃

本公司於二零零六年十二月十八日採納購股權計劃(「購股權計劃」)，為對本集團的成功作出貢獻的合資格參與者提供鼓勵及獎賞。

購股權計劃

購股權計劃的合資格參與者包括(i)本公司、其附屬公司或所投資公司的任何全職或兼職僱員(包括董事，但不包括任何非執行董事)；(ii)本公司、其附屬公司或所投資公司的任何非執行董事(包括獨立非執行董事)；(iii)本集團任何成員公司或所投資公司的任何供應商或客戶；(iv)任何為本集團或任何所投資公司提供研究、開發或其他技術支援的個人或公司；(v)本集團任何成員公司或所投資公司的任何股東或本集團任何成員公司或所投資公司所發行任何證券的持有人；(vi)本集團或任何所投資公司在任何業務範疇或業務發展的專業或其他諮詢人或顧問；(vii)曾經或可能藉合資經營、業務聯盟或其他業務安排而對本集團的發展及增長作出貢獻的任何其他類別參與者；及(viii)由上述第(i)至(vii)項所述的一名或多名合資格參與者全資擁有的任何公司。購股權計劃由二零零六年十二月十八日起生效，除非被註銷或修正，否則有效期將維持十年至二零一六年十二月十七日。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

29. Share Option Scheme (continued)

Share Option Scheme (continued)

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company.

In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 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, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet on the date of the offer of the share options; (ii) the average closing prices of the Company's shares as quoted on the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

29. 購股權計劃 (續)

購股權計劃 (續)

因行使根據購股權計劃及本集團任何其他購股權計劃已授出但尚未行使的購股權而發行的股份總數，不得超過當時本公司已發行股本的30%。因行使向每名購股權計劃合資格參與者授出購股權可發行的股份總數於任何十二個月期間不得超過本公司任何時間已發行股份的1%。凡超過此限制而授出購股權，必須獲股東於股東大會上批准後方可作實。向本公司董事、行政總裁或主要股東或任何彼等聯繫人士授予購股權，必須獲本公司獨立非執行董事事先批准後，方可作實。

此外，倘任何十二個月期間內，向本公司主要股東或獨立非執行董事或任何彼等之聯繫人士授出任何購股權，超過本公司任何時間已發行股份0.1%或(根據本公司股份於授出日期的收市價計算的)總值超過5,000,000港元，則須獲股東於股東大會上作出事先批准，方可作實。

承授人可於建議授出購股權日期起計21日內支付象徵式代價1港元以接納有關購股權。購股權行使期由董事釐定，該期間或自購股權建議授出日期起計直至購股權建議授出當日起計十年止或購股權計劃屆滿之日止(以較早者為準)。

購股權行使價由董事釐定，惟不得低於下列最高者：(i)本公司股份於建議授出購股權當日在聯交所的每日報價表所報的收市價；(ii)本公司股份於截至建議授出當日止前五個營業日聯交所每日報價表所報的平均收市價；或(iii)本公司股份的面值。

購股權並無賦予持有人權利收取股息或於股東大會上投票。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

29. Share Option Scheme (continued)

Share Option Scheme (continued)

Set out below are the outstanding share options under the Share Option Scheme as at 31 December 2016:

Name or category of participant	Number of share options 購股權數目				At 31 December 2016	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share 購股權行使價 每股港元
	At 1 January 2016	Granted during the year	Lapsed during the year	Exercised during the year				
參與者姓名或類別	於二零一六年一月一日	年內授出	年內失效	年內已行使	於二零一六年十二月三十一日	購股權授出日期	購股權行使期	
Executive directors								
執行董事								
Madam Ngok Ming Chu	60,000	-	(60,000)	-	-	18 May 2011	18 May 2012 to 17 May 2016*	5.24
岳明珠女士						二零一一年五月十八日	二零一二年五月十八日至二零一六年五月十七日*	
Ms. Cheng Pik Ho Liza	1,460,000	-	(1,460,000)	-	-	18 May 2011	18 May 2012 to 17 May 2016*	5.24
鄭碧浩女士						二零一一年五月十八日	二零一二年五月十八日至二零一六年五月十七日*	
Ms. Lu Qun	540,000	-	(540,000)	-	-	18 May 2011	18 May 2012 to 17 May 2016*	5.24
鹿群女士						二零一一年五月十八日	二零一二年五月十八日至二零一六年五月十七日*	
Independent non-executive directors								
獨立非執行董事								
Mr. Lau Siu Ki	100,000	-	(100,000)	-	-	18 May 2011	18 May 2012 to 17 May 2016*	5.24
劉紹基先生						二零一一年五月十八日	二零一二年五月十八日至二零一六年五月十七日*	
Mr. Lee Kwan Hung	100,000	-	(100,000)	-	-	18 May 2011	18 May 2012 to 17 May 2016*	5.24
李均雄先生						二零一一年五月十八日	二零一二年五月十八日至二零一六年五月十七日*	
Prof. Lee T. S.	100,000	-	(100,000)	-	-	18 May 2011	18 May 2012 to 17 May 2016*	5.24
李天生教授						二零一一年五月十八日	二零一二年五月十八日至二零一六年五月十七日*	
Other employees								
其他僱員								
In aggregate	11,120,000	-	(11,120,000)	-	-	18 May 2011	18 May 2012 to 17 May 2016*	5.24
總計						二零一一年五月十八日	二零一二年五月十八日至二零一六年五月十七日*	
Others	35,000	-	(35,000)	-	-	18 May 2011	18 May 2012 to 17 May 2016*	5.24
其他						二零一一年五月十八日	二零一二年五月十八日至二零一六年五月十七日*	
	13,515,000	-	(13,515,000)	-	-			

29. 購股權計劃 (續)

購股權計劃 (續)

以下載列於二零一六年十二月三十一日購股權計劃下尚未行使購股權：

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

29. Share Option Scheme (continued)

Share Option Scheme (continued)

Set out below are the outstanding share options under the Share Option Scheme as at 31 December 2015:

Name or category of participant	Number of share options 購股權數目					At 31 December 2015	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share 購股權 行使價 每股港元
	At 1 January 2015	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2015				
參與者姓名或類別	於二零一五年 一月一日	年內授出	年內失效	年內已行使	於二零一五年 十二月三十一日	購股權授出日期	購股權行使期		
Executive directors									
執行董事									
Madam Ngok Ming Chu	60,000	-	-	-	60,000	18 May 2011	18 May 2012 to 17 May 2016*	5.24	
岳明珠女士						二零一一年五月十八日	二零一二年五月十八日至 二零一六年五月十七日*		
Ms. Cheng Pik Ho Liza	1,460,000	-	-	-	1,460,000	18 May 2011	18 May 2012 to 17 May 2016*	5.24	
鄭碧浩女士						二零一一年五月十八日	二零一二年五月十八日至 二零一六年五月十七日*		
Ms. Lu Qun	540,000	-	-	-	540,000	18 May 2011	18 May 2012 to 17 May 2016*	5.24	
鹿群女士						二零一一年五月十八日	二零一二年五月十八日至 二零一六年五月十七日*		
Independent non-executive directors									
獨立非執行董事									
Mr. Lau Siu Ki	100,000	-	-	-	100,000	18 May 2011	18 May 2012 to 17 May 2016*	5.24	
劉紹基先生						二零一一年五月十八日	二零一二年五月十八日至 二零一六年五月十七日*		
Mr. Lee Kwan Hung	100,000	-	-	-	100,000	18 May 2011	18 May 2012 to 17 May 2016*	5.24	
李均雄先生						二零一一年五月十八日	二零一二年五月十八日至 二零一六年五月十七日*		
Prof. Lee T. S.	100,000	-	-	-	100,000	18 May 2011	18 May 2012 to 17 May 2016*	5.24	
李天生教授						二零一一年五月十八日	二零一二年五月十八日至 二零一六年五月十七日*		
Other employees									
其他僱員									
In aggregate	13,490,000	-	(2,370,000)	-	11,120,000	18 May 2011	18 May 2012 to 17 May 2016*	5.24	
總計						二零一一年五月十八日	二零一二年五月十八日至 二零一六年五月十七日*		
Others	35,000	-	-	-	35,000	18 May 2011	18 May 2012 to 17 May 2016*	5.24	
其他						二零一一年五月十八日	二零一二年五月十八日至 二零一六年五月十七日*		
	15,885,000	-	(2,370,000)	-	13,515,000				

29. 購股權計劃 (續)

購股權計劃 (續)

以下載列於二零一五年十二月三十一日購股權計劃下尚未行使購股權：

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

29. Share Option Scheme (continued)

Share Option Scheme (continued)

Notes to the reconciliation of share options under the Share Option Scheme outstanding during the year:

- * The share options were vested to the grantees in the following manner:
- 30% of such options were vested on 18 May 2012 with an exercise period from 18 May 2012 to 17 May 2016;
 - 30% of such options were vested on 18 May 2013 with an exercise period from 18 May 2013 to 17 May 2016; and
 - the remaining 40% of such options were vested on 18 May 2014 with an exercise period from 18 May 2014 to 17 May 2016.

For the year ended 31 December 2011, 20,355,000 share options were granted and their fair value was estimated at approximately HK\$41,952,000 (approximately HK\$2.06 each). With reference to the vesting period, the Company recognised all share option expenses in prior years.

The fair value of the share options was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	1.5
Expected volatility (%)	52
Risk-free interest rate (%)	1.64
Expected life of options (years)	5
Exit rate — directors (%)	0
Exit rate — staff except directors (%)	14
Weighted average share price (HK\$ per share)	5.24

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The exit rate is based on the historical data on staff/director turnover rates.

No other feature of the share options granted was incorporated into the measurement of fair value.

29. 購股權計劃 (續)

購股權計劃 (續)

年內購股權計劃下尚未行使的購股權對賬附註：

- * 購股權按以下方式歸屬予承授人：
- 該等購股權的30%已於二零一二年五月十八日歸屬，行使期為二零一二年五月十八日至二零一六年五月十七日；
 - 該等購股權的30%已於二零一三年五月十八日歸屬，行使期為二零一三年五月十八日至二零一六年五月十七日；及
 - 該等購股權的餘下40%已於二零一四年五月十八日歸屬，行使期為二零一四年五月十八日至二零一六年五月十七日。

截至二零一一年十二月三十一日止，根據購股權計劃授出20,355,000份購股權及其公平值估計約為41,952,000港元（每份購股權約2.06港元）。本公司已根據歸屬期確認過往年度所有購股權開支。

購股權的公平值乃使用二項式模式於授出日期進行估計，並已計及該等購股權授出後的條款及條件。下表列載使用該模式的計入項目：

股息率 (%)	1.5
預期波幅 (%)	52
無風險利率 (%)	1.64
購股權預期有效期 (年)	5
流失率—董事 (%)	0
流失率—除董事外的員工 (%)	14
加權平均股價 (每股港元)	5.24

預期波幅反映假設歷史波幅具有未來趨勢的指示作用，亦可能與實際結果不符。流失率乃按照員工／董事流失率的歷史數據計算。

計算公平值時概無列入其他所授出購股權的特質。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

29. Share Option Scheme (continued)

Share Option Scheme (continued)

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

		2016 二零一六年		2015 二零一五年	
		Weighted average exercise price HK\$ per share 加權平均 行使價 每股港元	Number of share options 購股權數目	Weighted average exercise price HK\$ per share 加權平均 行使價 每股港元	Number of share options 購股權數目
At 1 January	於一月一日	5.24	13,515,000	5.24	15,885,000
Lapsed during the year	年內失效	5.24	(13,515,000)	5.24	(2,370,000)
At 31 December	於十二月三十一日		-	5.24	13,515,000

No share options were granted and exercised during the year.

All the outstanding options lapsed upon expiry on 17 May 2016. The respective share option reserve of HK\$27,923,000 has been transferred to retained profits during the year ended 31 December 2016.

30. 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 of the financial statements.

The contributed surplus of the Group represents (i) the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation of certain members of the Group which took place on 31 December 1992, over the nominal value of issued shares of Embry Group Limited ("EGL") in exchange therefor; (ii) the premium arising from the shares issued by EGL for settlement of the amount due to the ultimate holding company of HK\$15,841,000; (iii) the premium arising from the acquisition of Embry (H.K.) Limited ("Embry HK") from the non-controlling interests of HK\$5,000,000; and (iv) the excess of the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor and the then existing 10,000,000 shares of HK\$0.01 each credited as fully paid at par.

29. 購股權計劃 (續)

購股權計劃 (續)

以下為於年內購股權計劃項下尚未行使的購股權：

		2016 二零一六年		2015 二零一五年	
		Weighted average exercise price HK\$ per share 加權平均 行使價 每股港元	Number of share options 購股權數目	Weighted average exercise price HK\$ per share 加權平均 行使價 每股港元	Number of share options 購股權數目
At 1 January	於一月一日	5.24	13,515,000	5.24	15,885,000
Lapsed during the year	年內失效	5.24	(13,515,000)	5.24	(2,370,000)
At 31 December	於十二月三十一日		-	5.24	13,515,000

年內沒有授出及行使購股權。

所有尚未行使購股權於二零一六年五月十七日屆滿後失效。截至二零一六年十二月三十一日止，有關購股權儲備27,923,000港元已轉至保留溢利。

30. 儲備

現時及過往年度本集團儲備金額以及其變動已呈列於財務報表內綜合權益變動表內。

本集團實繳盈餘指(i)根據重組於一九九二年十二月三十一日收購本集團若干成員公司，該等成員公司股份的面值超出就此作為交換所發行Embry Group Limited ("EGL")股份的面值差額；(ii) EGL就償還欠付最終控股公司款項15,841,000港元而進行發行股份產生的溢價；(iii)向非控股權益收購安莉芳(香港)有限公司(「安莉芳香港」)所產生溢價5,000,000港元；及(iv)根據集團重組收購附屬公司的股本的面值超出本公司當時發行以作為交換的股本面值的部份以及按面值入賬列作繳足的10,000,000股每股面值0.01港元的當時現有股份。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

30. Reserves (continued)

In accordance with the relevant regulations applicable in the PRC, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profits after tax, if any, to the enterprise expansion and statutory reserve funds, which are non-distributable, before profit distributions to shareholders. The amounts of the transfers are subject to the approval of the board of directors of these subsidiaries.

The Group applied the transitional provision of HKFRS 3 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against the consolidated reserves. The amount of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries prior to 1 January 2001, was stated at cost, which amounted to HK\$3,168,000 (2015: HK\$3,168,000) as at 31 December 2016.

31. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 17) under operating lease arrangements, with leases negotiated for terms ranging from one to six years.

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:

Within one year	一年內
In the second to fifth years, inclusive	第二至第五年(包括首尾兩年)

In addition, the operating lease rentals for the use of certain floor areas of the Group's building located in Shanghai are contingent based on sales of the shops pursuant to the terms and conditions as set out in the respective agreements. As the future sales of these shops could not be accurately determined, the relevant contingent rent has not been included above.

30. 儲備(續)

根據中國適用的相關規例，本公司於中國成立的附屬公司須將其若干百分比的除稅後溢利(如有)在向股東作出溢利分派前轉撥至企業擴展及法定儲備基金(均為不可分派)。轉撥的金額須待該等附屬公司的董事會批准方可作實。

本集團已採用香港財務報告準則第3號的過渡性條文，容許二零零一年一月一日前進行收購所產生的商譽維持與綜合儲備的對銷。保留於綜合儲備內因二零零一年一月一日前收購附屬公司產生的商譽金額按成本列值，於二零一六年十二月三十一日為3,168,000港元(二零一五年：3,168,000港元)。

31. 經營租約安排

(a) 作為出租人

本集團根據經營租約安排出租投資物業(附註17)，租約以介乎一至六年年期進行磋商。

於報告期間結束時，根據本集團與租戶訂立之不可撤銷經營租約，本集團於以下日期之未來最低應收租金總額如下：

	2016	2015
	二零一六年	二零一五年
	HK\$'000	HK\$'000
	千港元	千港元
Within one year	12,693	10,668
In the second to fifth years, inclusive	18,314	6,939
	31,007	17,607

此外，使用本集團位於上海之樓宇之若干樓面面積而應收之部份經營租約租金為或然租金，乃根據有關協議所載之條款及條件按店舖之銷售額釐定。由於該等店舖之未來銷售額未能準確地釐定，故有關或然租金並未包括在上表。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

31. Operating Lease Arrangements (continued)

(b) As lessee

The Group leases certain of its shops, counters, warehouses and office properties under operating lease arrangements with leases negotiated for terms mainly ranging from one to ten years.

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

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Within one year	一年內	107,155	113,508
In the second to fifth years, inclusive	第二至第五年(包括首尾兩年)	58,674	51,072
After five years	五年後	5,416	3,931
		171,245	168,511

In addition, the Group has entered into agreements with department stores to enable the Group to set up its retail outlets therein. The operating lease rentals for the use of their floor areas in department stores are based on the higher of a fixed rental or contingent rent based on sales of the retail outlets pursuant to the terms and conditions as set out in the respective agreements. As the future sales of these retail outlets could not be accurately determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

32. Commitments

At the end of the reporting period, the Group had the following commitments:

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Contracted for commitments in respect of the acquisition of property, plant and equipment	購買物業、廠房及設備之已訂約承擔	122,738	170,854

31. 經營租約安排(續)

(b) 作為承租人

本集團根據經營租約安排租用若干店舖、櫃位、倉庫及辦公室物業，租約主要以一至十年年期進行磋商。

於報告期間結束時，根據本集團之不可撤銷經營租約，本集團於以下日期之未來最低應付租金總額如下：

	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Within one year	107,155	113,508
In the second to fifth years, inclusive	58,674	51,072
After five years	5,416	3,931
	171,245	168,511

此外，本集團與百貨公司訂立協議，以便本集團在百貨公司內開設零售點。使用百貨公司之樓面面積而應付之經營租約租金乃根據固定租金與或然租金兩者中之較高者釐定。或然租金乃根據有關協議所載之條款及條件按零售點之銷售額釐定。由於該等零售點之未來銷售額未能準確地釐定，故有關或然租金並未包括在上表。上表僅載列最低租賃承擔。

32. 承擔

於報告期間結算日，本集團之承擔如下：

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Contracted for commitments in respect of the acquisition of property, plant and equipment	購買物業、廠房及設備之已訂約承擔	122,738	170,854

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

33. Contingent Liabilities

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

Bank guarantees given in lieu of property rental deposits and utility deposits	為代替物業租賃按金及公共設施按金所提供之銀行擔保
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2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
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1,788	2,196
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33. 或然負債

於報告期末，財務報表中並無計提撥備之或然負債如下：

34. 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:

Financial assets

Loans and receivables

Trade receivables	應收貿易賬款
Financial assets included in prepayments, deposits and other receivables	列為預付款項、按金及其他應收款項之金融資產
Cash and cash equivalents	現金及現金等價物

2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
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85,220	90,486
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5,029	6,361
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190,187	233,017
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280,436	329,864
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34. 按類別分析之金融工具

於報告期間結算日各類金融工具的賬面值如下：

金融資產

貸款及應收款項

Financial liabilities

Financial liabilities at amortised cost

Interest-bearing bank borrowings	計息銀行借款
Trade payables	應付貿易賬款
Financial liabilities included in other payables and accruals	已包括於其他應付款項及應計款項之金融負債

2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
----------------------------------	----------------------------------

354,833	308,211
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87,678	68,206
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184,618	145,016
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627,129	521,433
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金融負債

按攤銷成本計量之金融負債

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, comprise cash, short term deposits and interest-bearing bank borrowings. 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 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 and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings with floating interest rates.

At present, the Group does not intend to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

At 31 December 2016, the profit before tax of the Group would have been decreased/increased by approximately HK\$1,774,000 (2015: HK\$1,541,000) if the interest rate has been increased/decreased by 50 basis points with all other variables held constant.

Foreign currency risk

The Group carries on its sales and purchases transactions mainly in Hong Kong dollars and RMB. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business. However, as the Group's net profit is reported in Hong Kong dollars, there will be a translation gain as a result of the RMB appreciation, and vice versa. The majority of the Group's operating assets are located in Mainland China and are denominated in RMB.

35. 財務風險管理目標及政策

本集團之主要金融工具包括現金、短期存款及計息銀行借款。此等金融工具主要目的是為本集團經營業務融資。本集團有其他不同金融資產及負債，如應收貿易賬款及應付貿易賬款，乃直接透過經營業務產生。

本集團金融工具之主要風險為利率風險、外匯風險、信貸風險及流動資金風險。董事審閱並協定管控以上各種風險之政策，有關資料概述如下。

利率風險

現金流量利率風險為金融工具未來現金流量因市場利率變化而波動的風險。本集團同時承受公平值及現金流量利率風險。本集團所承受利率變化的市場風險，主要與本集團浮動利率計算的銀行借款有關。

目前，本集團無意對沖所須承受的利率波動。然而，本集團將定期檢討經濟狀況及其利率風險狀況，並會考慮日後是否需要實施適當的對沖措施。

倘利率上升／下跌50基點，而所有其他因素保持不變，於二零一六年十二月三十一日，本集團稅前溢利應減少／增加約1,774,000港元(二零一五年：1,541,000港元)。

外匯風險

本集團主要以港元及人民幣進行買賣交易。本集團並無以衍生金融工具來對沖日常業務過程之外匯交易及其他金融資產及負債所附帶之波動。然而，由於本集團之純利以港元呈列，故人民幣升值可帶來匯兌收益，反之亦然。本集團大部份經營資產均位於中國大陸，並以人民幣列示。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

35. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

		Increase/ (decrease) in RMB rate 人民幣 匯率上調/ (下調) %	Increase/ (decrease) in profit before tax 稅前溢利 增加/(減少) HK\$'000 千港元
2016	二零一六年		
If Hong Kong dollar weakens against RMB	倘港元兌人民幣貶值	5	6,008
If Hong Kong dollar strengthens against RMB	倘港元兌人民幣升值	(5)	(6,008)
2015	二零一五年		
If Hong Kong dollar weakens against RMB	倘港元兌人民幣貶值	5	9,062
If Hong Kong dollar strengthens against RMB	倘港元兌人民幣升值	(5)	(9,062)

Credit risk

The Group trades only with recognised and creditworthy customers. 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 on an individual basis. Each of the customers has been attached with a trading limit and any excess of the limit must be approved by the general manager of the operation unit. Under the tight control of the credit term and detailed assessment of the creditworthiness of individual customers, the Group's exposure to bad debts is maintained as minimal.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

35. 財務風險管理目標及政策 (續)

外匯風險 (續)

下表列示於報告期間結算日，在所有其他可變因素維持不變的情況下，本集團的稅前溢利對人民幣匯率可能出現合理變動之敏感度（由於貨幣資產及負債的公平值變動）。

信貸風險

本集團僅與知名及信譽良好的客戶進行交易。根據本集團的政策，任何有意以信貸形式進行交易的客戶均須經過信貸核實程序。此外，本集團亦持續監察各項應收款項結餘。本集團對各名客戶設立貿易限額，超出限額之數必須得到營運單位之總經理批准。由於本集團嚴控信貸期，並且對個別客戶之信譽作詳盡評估，故本集團之壞賬風險極低。

本集團其他金融資產的信貸風險包括現金及現金等價物及其他應收款項，因對方違約產生的信貸風險，上限相等於該等工具之賬面值。

有關本集團因貿易應收賬款產生之信貸風險之進一步定量數據於財務報表附註20中披露。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

35. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirement.

The Group continued to enjoy adequate cash position with cash and cash equivalents amounting to HK\$190,187,000 (2015: HK\$233,017,000) as at 31 December 2016.

The Group financed its operations and investment activities by internally generated cash flows and bank borrowings.

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

2016	二零一六年
Interest-bearing bank borrowings	計息銀行借款
Trade payables	應付貿易賬款
Other payables and accruals	其他應付款項及應計款項
2015	二零一五年
Interest-bearing bank borrowings	計息銀行借款
Trade payables	應付貿易賬款
Other payables and accruals	其他應付款項及應計款項

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 33 to the financial statements.

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the owners through the optimisation of the debt and equity balance where appropriate. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

35. 財務風險管理目標及政策 (續)

流動資金風險

流動資金風險指未能取得資金以應付所有到期之合約財務承擔。本集團之目標是保持穩健之金融政策，藉著風險限額來監察流動資金比率，並設有應急資金計劃，確保本集團具備足夠現金以應付其流動資金需求。

於二零一六年十二月三十一日，本集團繼續擁有充足現金之財務狀況，其現金及現金等價物為190,187,000港元(二零一五年：233,017,000港元)。

本集團透過內部產生之現金流及銀行借款，為其業務及投資活動提供資金。

於報告期間結算日，本集團根據合約未貼現付款計算之金融負債到期日如下：

	Within		Total 總計
	1 year 一年內	1 to 5 years 一至五年	
	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
2016			
Interest-bearing bank borrowings	141,869	231,718	373,587
Trade payables	87,678	-	87,678
Other payables and accruals	184,618	-	184,618
	414,165	231,718	645,883
2015			
Interest-bearing bank borrowings	131,189	191,746	322,935
Trade payables	68,206	-	68,206
Other payables and accruals	145,016	-	145,016
	344,411	191,746	536,157

透過授出財務擔保，本集團亦面臨流動資金風險，其進一步詳情披露於財務報表附註33。

資本管理

本集團管理其資本以確保本集團能持續營運，同時在適當時透過優化債務及權益結餘(如適用)將擁有人的回報增至最大。於截至二零一六年及二零一五年十二月三十一日止年度，管理資本之目標、政策或程序並無變動。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

35. Financial Risk Management Objectives and Policies (continued)

Capital management (continued)

The capital structure of the Group consists of net debt which includes bank borrowings and equity attributable to owners of the Company. Equity attributable to owners of the Company comprises issued share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The Company monitors capital using a gearing ratio, which is total bank borrowings divided by the equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
Interest-bearing bank borrowings	計息銀行借款	354,833	308,211
Equity attributable to owners of the Company	本公司擁有人應佔權益	1,719,487	1,790,823
Gearing ratio	資產負債比率	20.6%	17.2%

35. 財務風險管理目標及政策 (續)

資本管理 (續)

本集團資本結構包括債務淨額其中包括銀行借款及本公司擁有人應佔股權。本公司擁有人應佔股權包括綜合權益變動表所披露的已發行股本、儲備及保留溢利。

本公司透過資產負債比率架構(即銀行借款總額除以本公司擁有人應佔股權)監控資本。於報告期末資產負債比率如下：

36. 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:

36. 本公司財務狀況表

本公司報告期末財務狀況表如下：

		2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元
NON-CURRENT ASSETS	非流動資產		
Investments in subsidiaries	於附屬公司之權益	864,658	917,018
CURRENT ASSETS	流動資產		
Prepayments	預付款項	46	44
Cash and cash equivalents	現金及現金等價物	153	152
Total current assets	流動資產總值	199	196
CURRENT LIABILITIES	流動負債		
Other payables and accruals	其他應付款項及應計款項	4,984	8,335
NET CURRENT LIABILITIES	流動負債淨值	(4,785)	(8,139)
Net assets	資產淨值	859,873	908,879
EQUITY	權益		
Share capital	股本	4,166	4,166
Reserves (Note)	儲備(附註)	855,707	904,713
Total equity	總權益	859,873	908,879

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

36. Statement of Financial Position of the Company (continued)

Note:

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

36. 本公司財務狀況表 (續)

附註：

本公司儲備概要如下：

		Share premium account	Contributed surplus	Share option reserve	Retained profits	Total
	Notes	股份溢價賬	實繳盈餘	購股權儲備	保留溢利	總計
	附註	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元
At 1 January 2015	於二零一五年一月一日	369,644	381,248	32,784	40,991	824,667
Profit for the year and total comprehensive income for the year	年度溢利及年內全面收入總額	-	-	-	138,378	138,378
Share options lapsed	購股權失效	-	-	(4,861)	4,861	-
2014 final and special dividends declared and paid	宣派及已支付二零一四年末期及特別股息	14	-	-	(41,666)	(41,666)
2015 interim dividend	二零一五年中期股息	14	-	-	(16,666)	(16,666)
At 31 December 2015 and 1 January 2016	於二零一五年十二月三十一日及二零一六年一月一日	369,644	381,248	27,923	125,898	904,713
Profit for the year and total comprehensive income for the year	年度溢利及年內全面收入總額	-	-	-	3,077	3,077
Share options lapsed	購股權失效	29	-	(27,923)	27,923	-
2015 final and special dividends declared and paid	宣派及已支付二零一五年末期及特別股息	14	-	-	(41,666)	(41,666)
2016 interim dividend	二零一六年中期股息	14	-	-	(10,417)	(10,417)
At 31 December 2016	於二零一六年十二月三十一日	369,644	381,248	-	104,815	855,707

The contributed surplus of the Company represents the excess of the then net assets of the subsidiaries acquired by the Company pursuant to the group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor and the then existing 10,000,000 shares of HK\$0.01 each credited as fully paid at par. Under the Companies Law of the Cayman Islands, the share premium and contributed surplus may be distributed to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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, be forfeited or lapse.

本公司的實繳盈餘乃本公司根據集團重組收購附屬公司的當時資產淨值超出本公司就此發行作為交換的股本面值以及按面值入賬列作繳足的10,000,000股每股面值0.01港元的當時現有股份。根據開曼群島公司法，股份溢價賬及實繳盈餘可分派予本公司股東，惟於緊隨建議派付股息日期後，本公司必須能償還其日常業務中到期債項。

購股權儲備指已授出但尚未行使的購股權的公平值，於財務報表附註2.4就以股份為基礎交易的會計政策中有所詳述。金額將於有關購股權獲行使時轉撥至股份溢價賬，或於有關購股權屆滿、被沒收或失效時轉撥至保留盈利。

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

37. Particulars of Principal Subsidiaries

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

37. 主要附屬公司資料

本公司主要附屬公司的詳情如下：

Name 名稱	Place of incorporation/ registration and business 註冊成立/ 註冊及經營地點	Issued and fully paid share/ registered capital 已發行及 繳足股份/ 註冊資本	Percentage of equity attributable to the Company 本公司應佔權益百分比		Principal activities 主要業務
			2016 二零一六年	2015 二零一五年	
Embry Asia Limited 安莉芳亞洲有限公司	Hong Kong 香港	HK\$100 100港元	100	100	Investment holding 投資控股
Embry (Changzhou) Garments Ltd. ("Embry CZ")** 安莉芳(常州)服裝有限公司 (「安莉芳常州」)**	PRC/ Mainland China 中國/中國大陸	RMB136,200,000 人民幣136,200,000元	100	100	Manufacture and trading of ladies' brassieres, panties, swimwear and sleepwear 製造及買賣女性胸圍、 內褲、泳衣及睡衣
Embry (China) Garments Ltd. ("Embry SZ")** 安莉芳(中國)服裝有限公司 (「安莉芳深圳」)**	PRC/ Mainland China 中國/中國大陸	HK\$11,000,000 11,000,000港元	100	100	Manufacture and trading of ladies' brassieres, panties, swimwear and sleepwear 製造及買賣女性胸圍、 內褲、泳衣及睡衣
Embry HK 安莉芳香港	Hong Kong 香港	Ordinary HK\$45,000 *Non-voting deferred HK\$4,500,000 普通股 45,000港元 *無投票權遞延股 4,500,000港元	100	100	Trading of ladies' brassieres, panties, swimwear and sleepwear 買賣女性胸圍、內褲、 泳衣及睡衣
Embry (Macau) Fashion Company Limited (Embry (Macau) Pronto A Vestir, Limitada) 安莉芳(澳門)時裝有限公司	Macau 澳門	MOP100,000 100,000澳門幣	100	100	Trading of ladies' brassieres, panties, swimwear and sleepwear 買賣女性胸圍、內褲、 泳衣及睡衣
Embry (Shandong) Garments Limited ("Embry SD")** 安莉芳(山東)服裝有限公司 (「安莉芳山東」)**	PRC/ Mainland China 中國/中國大陸	US\$18,000,000 18,000,000美元	100	100	Manufacture and trading of ladies' brassieres, panties, swimwear and sleepwear 製造及買賣女性胸圍、 內褲、泳衣及睡衣
Embry (Shanghai) Company Limited ("Embry SH")** 安莉芳(上海)有限公司 (「安莉芳上海」)**	PRC/ Mainland China 中國/中國大陸	HK\$238,000,000 238,000,000港元	100	100	Design, research and development and trading of ladies' brassieres, panties, swimwear and sleepwear 設計、研究、開發及 買賣女性胸圍、 內褲、泳衣及睡衣

Notes to Financial Statements (Continued)

財務報表附註 (續)

31 December 2016 二零一六年十二月三十一日

37. Particulars of Principal Subsidiaries (continued)

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

Name 名稱	Place of incorporation/ registration and business 註冊成立/ 註冊及經營地點	Issued and fully paid share/ registered capital 已發行及 繳足股份/ 註冊資本	Percentage of equity attributable to the Company 本公司應佔權益百分比		Principal activities 主要業務
			2016 二零一六年	2015 二零一五年	
Embry Garments Limited	BVI 英屬處女群島	US\$1 1美元	100	100	Investment holding 投資控股
EGL	BVI 英屬處女群島	US\$472 472美元	100	100	Investment holding 投資控股
Embry International Limited 安莉芳國際有限公司	BVI 英屬處女群島	US\$1 1美元	100	100	Investment holding 投資控股
Gallin Investments Limited 吉年投資有限公司	Hong Kong 香港	HK\$2 2港元	100	100	Investment holding 投資控股
Prime Force Advertising Limited	Hong Kong 香港	HK\$20 20港元	100	100	Property investment 物業投資
Whistleblower Limited	BVI 英屬處女群島	US\$1 1美元	100	100	Holding of trademarks 持有商標

* The non-voting deferred shares carry no rights to dividends (other than for any financial year during which the net profit of Embry HK available for dividend exceeds HK\$1,000,000,000,000), no rights to vote at general meetings and no rights to receive any surplus in return of capital in a winding-up in respect of the first HK\$500,000,000,000,000.

** Embry CZ, Embry SZ, Embry SD and Embry SH are registered as wholly-foreign-owned enterprises under the PRC law.

Except for EGL, all of the above subsidiaries are indirectly held by the Company.

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.

38. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 23 March 2017.

37. 主要附屬公司資料 (續)

本公司主要附屬公司的詳情如下：(續)

* 無投票權遞延股並無附帶權利收取股息(於安莉芳香港可供派息的純利超過1,000,000,000,000港元的任何財政年度除外)、於股東大會上投票及於清盤時收取首500,000,000,000,000港元退回資本的任何盈餘。

** 安莉芳常州、安莉芳深圳、安莉芳山東及安莉芳上海均根據中國法例註冊為全外資企業。

除EGL外，上述所有附屬公司均由本公司間接持有。

上表所列本公司附屬公司乃董事認為對本年度業績有重要影響或構成本集團資產淨值重大比重之附屬公司。董事認為倘將其他附屬公司之詳情一併列出，則會令資料過於冗長。

38. 批准財務報表

財務報表於二零一七年三月二十三日獲董事會批准及授權刊發。

This Annual Report is printed on environmentally-friendly paper.
本年報以環保紙張印製。

EMBRY HOLDINGS LIMITED
安莉芳控股有限公司