WINOX

WINOX HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code : 6838

ANNUAL REPORT 2017

Contents

Corporate Information and Key Dates

BOARD OF DIRECTORS
Yiu Hon Ming (Chairman & Managing Director)
Au Wai Ming# (Deputy Chairman)
Law Wai Ping
Chau Kam Wing Donald (Finance Director)
Li Chin Keung
Yiu Ho Ting
Carson Wen*
Wong Lung Tak Patrick*
Wu Ming Lam*

\# Non-Executive Director
* Independent Non-Executive Director

AUDIT COMMITTEE
Wong Lung Tak Patrick (Chairman)
Carson Wen
Wu Ming Lam

REMUNERATION COMMITTEE
Wong Lung Tak Patrick (Chairman)
Yiu Hon Ming
Carson Wen
Wu Ming Lam

NOMINATION COMMITTEE
Yiu Hon Ming (Chairman)
Carson Wen
Wong Lung Tak Patrick
Wu Ming Lam

COMPANY SECRETARY
Huen Lai Chun

AUDITORS
Deloitte Touche Tohmatsu

PRINCIPAL BANKER
The Hongkong and Shanghai Banking Corporation Limited

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Units 2 & 3, 1/F., Sunray Industrial Centre
610 Cha Kwo Ling Road, Yau Tong
Kowloon, Hong Kong

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Website: http://www.winox.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS
Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INFORMATION OF SHARES

Place of Listing	:	Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange")
Stock Code	:	6838
Board Lot	:	2,000 shares
Financial Year End	:	31 December
Interim dividend	:	HK4 cents per ordinary share
Final dividend	:	HK7 cents per ordinary share

KEY DATES

Closure of register of members for AGM	:	23-28 May 2018 (both days included)
Record date for voting at AGM	:	28 May 2018
Annual general meeting	:	28 May 2018
Closure of register of members for final dividend	:	4 June 2018
Record date for final dividend	:	4 June 2018
Final dividend payment date	:	15 June 2018

Financial Highlights

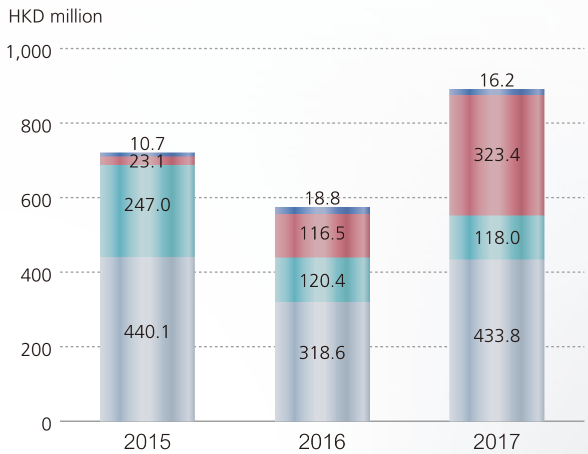
	Year ended 31 December 2017 HKD'000 (audited)	Year ended 31 December 2016 HKD'000 (audited)	Change
RESULTS HIGHLIGHTS			
Turnover	**891,446**	574,318	55.2%
Gross profit	**256,529**	153,710	66.9%
Profit for the year	**116,435**	48,704	139.1%
Basic and diluted earnings per share (HK cents)	**23.3**	9.7	140.2%
Total dividend per share (HK cents)	**11**	7.6	
– Interim dividend (HK cents)	**4**	1.6	
– Final dividend (HK cents)	**7**	3.0	
– Special dividend (HK cents)	**Nil**	3.0	

	At 31 December 2017 HKD'000 (audited)	At 31 December 2016 HKD'000 (audited)	Change
BALANCE SHEET HIGHLIGHTS AND RATIOS			
Total assets	**890,449**	739,045	20.5%
Total borrowings	**74,821**	110,739	-32.4%
Net assets	**650,897**	547,673	18.8%
Net assets per share (HKD)	**1.30**	1.10	18.2%
Return on equity[1] (%)	**17.9%**	8.9%	9 pts
Current ratio	**1.93**	2.07	
Gearing ratio[2]	**0.08**	0.15	

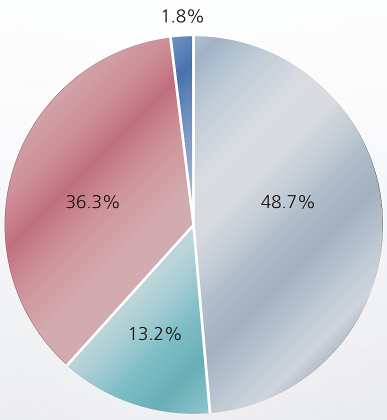
1 Based on equity attributable to shareholders at year end
2 Gearing ratio = Total borrowings/Total assets

Turnover by products

For the year ended 31 December



2017 turnover distribution by products



watch bracelets
costume jewellery
mobile phone cases and parts
accessories and parts for leather goods

Mission

We strive to satisfy the needs of our clients and provide quality service to the best we could by producing products of the highest quality in timely and competitive manner.

Dear Shareholders,

On behalf of the board ("Board") of directors ("Directors") of Winox Holdings Limited ("Company", together with its subsidiaries, "Group"), I am pleased to present the Group's annual results for the financial year ended 31 December 2017.

FINANCIAL PERFORMANCE

Thanks to the continued pick up of the global economic activities, the Group achieved outstanding financial results for the year 2017. Turnover of the Group for the year ended 31 December 2017 was HKD891,446,000 (2016: HKD574,318,000), representing an increase of 55.2% as compared to last year. Profit for the year and earnings per share were HKD116,435,000 (2016: HKD48,704,000) and HK23.3 cents (2016: HK9.7 cents) respectively, representing an increase of 139.1% and 140.2% as compared to last year respectively.

DIVIDENDS

The Board recommends the payment of a final dividend of HK7 cents per share (2016: a final dividend of HK3 cents and a special dividend of HK3 cents per share), which is subject to the approval of shareholders of the Company ("Shareholders") at the 2018 annual general meeting. Together with the interim dividend of HK4 cents per share paid in September 2017, the total dividend for the year ended 31 December 2017 is HK11 cents per share (2016: 7.6 cents per share).

BUSINESS

In 2017, the Group accomplished another fruitful year in the mobile phone cases and parts segment in which the sales for the year ended 31 December 2017 reached HKD323,393,000, representing a significant increase of 177.5% as compared to last year. We will continue to invest in new technology in this segment and committed to assembly high quality stainless steel parts for our world leading smartphone customers with an aim to grow this segment into the major business growth driver of the Group in coming years.

The increased global economic growth momentum has also driven the recovery of the world luxury goods market that had been stagnant for years. For the year ended 31 December 2017, the sales of watch bracelets returned to growth and increased by 36.2% as compared to last year; however the sales of costume jewellery and accessories and parts for leather goods experienced a slightly decline as compared to last year.

PROSPECTS

We expect that the stronger momentum of global economy experienced in 2017 will extended into 2018. However, there are also risks alongside with the expected growth including the very high asset valuation, the increasing protectionism in international trade and geopolitical tensions. Nevertheless, we believe that there will be steady and increasing demand on precision stainless steel products and we will take advantage of utilizing our strengths and expertise to serve our existing prominent customers and to explore new business opportunities in order to achieve long-term growth.

CORPORATE SUSTAINABILITY

The Group adopts a product diversification model which provides a significant platform for us to broaden our customer base and expand our market share in the industry. The Group utilises its resources strategically to advance its skills and technology so as to enrich our product variety and sophistication. We commit to working closely with our customers to deliver quality and cost-effective products efficiently. This enables us to maintain long-term business relationship with our stakeholders. Our goal is to put continuous efforts to reinforce our operational efficiency so as to achieve long-term business sustainability and drive improvement.

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to my fellow Directors, and our clients, staff, suppliers and other stakeholders for their continuous support to the Group.

Yiu Hon Ming
Chairman and Managing Director

Hong Kong, 28 March 2018

The Dongguan Dalang factory

BUSINESS REVIEW

During the year, the demand for luxury goods has been continuously picked up as the economy of the world's major economies has achieved modest improvement. Winox Holdings Limited ("Company", together with its subsidiaries, "Group") recorded a satisfactory growth of 55.2% in turnover for the year ended 31 December 2017 as compared to last year, which was mainly due to the increase in sales of watch bracelets, and mobile phone cases and parts. The increase in turnover and our continuous stringent cost control policy and efficient supply chain management have improved our gross profit margin level for the year ended 31 December 2017.

The principal focus of the Group remains on the development and manufacture of premium stainless steel products, and our major business segments are, namely, watch bracelets, costume jewellery, mobile phone cases and parts, and accessories and parts for leather goods.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2017, the Group's turnover increased by 55.2% to HKD891,446,000 (2016: HKD574,318,000) as compared to last year. Turnover attributable to watch bracelets, costume jewellery, mobile phone cases and parts, and accessories and parts for leather goods were 48.7%, 13.2%, 36.3% and 1.8% respectively (2016: 55.5%, 20.9%, 20.3% and 3.3% respectively).

During the year 2017, export value of Swiss made watches continuously improved and achieved an increase of 2.7% as compared to last year. The Group's turnover of watch bracelets reported an increase of 36.2% to HKD433,849,000 (2016: HKD318,583,000) as compared to last year.

Turnover of costume jewellery for the year recorded a slightly decline of 1.9% to HKD118,023,000 (2016: HKD120,368,000).

The factory and dormitory buildings at Dongfeng Village, Huzhen, PRC.

Production facilities at the factory at Dongfeng Village, Huzhen, PRC.

During the year 2017, sales of mobile phone cases and parts was HKD323,393,000 (2016: HKD116,525,000), representing a significant increase of 177.5% as compared to last year.

Sales of accessories and parts for leather goods remained slack for the year and amounted to HKD16,181,000 (2016: HKD18,842,000), representing a decrease of 14.1% as compared to last year.

Profit

As a result of the increase in sales for the year, gross profit increased by 66.9% to HKD256,529,000 (2016: HKD153,710,000) as compared to last year. Gross profit margin for the year increased to 28.8% (2016: 26.8%) mainly due to the benefit of scale of economy arising from the increase in turnover. Profit for the year increased by 139.1% to HKD116,435,000 (2016: HKD48,704,000) and basic earnings per share for the year increased by 140.2% to HK23.3 cents (2016: HK9.7 cents).

Cost of sales

Cost of sales included costs of production materials and labour, and manufacturing overhead and other costs. The following table sets forth the breakdown of our cost of sales for the year ended 31 December 2017:

	2017 HKD'000	2016 HKD'000
Direct materials costs	**279,053**	137,532
Direct labour costs	**241,673**	198,504
Manufacturing overhead and other costs	**114,191**	84,572
	634,917	420,608

For the year ended 31 December 2017, direct materials costs and labour costs accounted for about 44.0% and 38.0% (2016: 32.7% and 47.2%) of the total cost of sales, the changes was mainly due to the significant increase in sales of mobile phone cases and parts which has higher materials cost proportion; whereas manufacturing overhead and other costs accounted for about 18.0% (2016: 20.1%) of the total cost of sales.

Other Income

Other income increased by 32.9% to HKD8,228,000 for the year as compared to HKD6,189,000 for last year which was primarily due to the increase in government grant during the year.

Other gains and losses

Other losses for the year amounted to HKD8,173,000 (2016: gains of HKD2,706,000) which was mainly due to the net exchange loss from the appreciation of Renminbi during the year.

Expenses

Selling and distribution costs increased by 29.6% to HKD26,235,000 for the year as compared to HKD20,249,000 for last year which was in line with the increase in turnover.

Administrative expenses increased by 10.1% to HKD86,798,000 (2016: HKD78,811,000) for the year as compared to last year.

During the year, finance costs amounted to HKD3,489,000 (2016: HKD4,522,000), representing a decrease of 22.8% as compared to last year which was mainly due to the net repayment of bank loans.

Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% from 1 January 2008 onwards.

Inventories

	2017 HKD'000	2016 HKD'000
Raw materials	10,694	9,550
Work in progress	50,631	33,023
Finished goods	20,825	10,874
	82,150	53,447

As at 31 December 2017, the Group recorded an inventory balance of HKD82,150,000 (31 December 2016: HKD53,447,000), representing an increase of 53.7% which was mainly due to the increase in work in progress and finished goods at the end of the year. The inventory turnover of the Group for year ended 31 December 2017 was 39.0 days as compared to 45.2 days for the year ended 31 December 2016.

Trade Receivables

As at 31 December 2017, trade receivables of the Group amounted to HKD140,261,000 (31 December 2016: HKD88,938,000) and the increase was in line with the increase in turnover. The credit periods granted to our customers were considered on individual basis ranging from 30 days to 90 days. Generally, no credit would be granted to customers which are new, short-term and placing orders in immaterial scale. As most of our customers were internationally renowned brand owners, we considered we were exposed to relatively minimal default risk. The trade receivables turnover of the Group for the year ended 31 December 2017 was 46.9 days (for the year ended 31 December 2016: 51.2 days).

Trade Payables

As at 31 December 2017, the trade payables of the Group amounted to HKD99,416,000 (31 December 2016: HKD42,852,000). The trade payables were primarily related to the purchase of raw materials from suppliers with credit periods ranging from 30 days to 90 days. The trade payables turnover of the Group for the year ended 31 December 2017 was 40.9 days (for the year ended 31 December 2016: 33.2 days).

Liquidity, Indebtedness and Charges on Assets

During the year, the Group maintained a satisfactory liquidity level. As at 31 December 2017, net current assets of the Group was HKD222,605,000 (31 December 2016: HKD180,678,000). Besides, the Group had cash and bank balances of HKD200,453,000 (31 December 2016: HKD179,247,000), of which 47.3% was in Hong Kong dollars, 31.7% was in United States dollars, 19.2% was in Renminbi, and 1.8% was in Swiss Franc and other currencies.

As at 31 December 2017, the Group’s outstanding bank borrowings totalled HKD74,821,000 (31 December 2016: HKD110,739,000), which were all in Hong Kong dollars. All of such outstanding bank borrowings were arranged on floating rate basis and contained repayment on demand clause at any time at the discretion of the bank. According to Hong Kong Accounting Standards, the Group had classified the bank borrowings as current liabilities in the consolidated statements of financial position as at 31 December 2017 in accordance with the settlement term. Of the total bank borrowings, according to the repayment schedule, HKD22,571,000 was loans repayable within one year and the balance of HKD52,250,000 was repayable after one year.

The charged assets included a piece of land in Dongguan where our factory was situated and certain properties constructed thereon, and the deposits for two keyman life insurance policies. The banking facilities to the Company’s wholly-owned subsidiaries were also secured by corporate guarantees in favour of the bank from the Company.

As at 31 December 2017, the total unutilized banking facilities available to the Group amounted to HKD31,988,000 (2016: HKD26,567,000).

As at 31 December 2017, the Group’s gearing ratio was 0.08 (31 December 2016: 0.15), which was calculated on the basis of outstanding borrowings over total assets of the Group.

Treasury

The Group adopted conservative treasury policies in cash and financial management for the year. Cash was generally placed in short-term deposits. The Group’s liquidity and financing requirements were reviewed regularly.

For the year ended 31 December 2017, a large amount of the Group’s sales was denominated in Hong Kong dollars whereas the foreign currency sales were mainly denominated in United States dollars and Swiss Franc, contributing to 38.5% and 0.2% of the total turnover respectively (2016: 23.2% and 0.1% respectively). The expenses of the Group for the year were mainly denominated in Renminbi. As Hong Kong dollars was pegged with United States dollars and the sales denominated in Swiss Franc was not material, the directors of the Company (“Directors”) considered the Group was exposed to limited risk in this aspect. Despite that, the Group’s production plants were located in Mainland China and the labour costs and manufacturing overhead were mainly denominated in Renminbi. The appreciation and depreciation of Renminbi might affect the overall production costs of the Group.

The Group did not use any financial instruments for hedging purposes during the year and the Group did not have any hedging instruments as at 31 December 2017. We would continue to monitor closely the exchange rate risk arising from the Group’s existing operations and new investments in future. We would implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Capital Commitments and Significant Investment

Capital expenditure contracted for by the Group but not yet provided in the audited consolidated financial statements of the Company as at 31 December 2017 was HKD25,774,000 (31 December 2016: HKD10,346,000), which was mainly related to the acquisition of property, plant and equipment.

Contingent Liabilities

As at 31 December 2017, save for the granting of corporate guarantees by the Company to its wholly-owned subsidiaries as described above, the Group did not have any significant contingent liabilities.

Employment and Remuneration Policy

As at 31 December 2017, the total number of employees of the Group was 3,482 (2016: 3,272). During the year, staff costs (including Directors' emoluments) amounted to HKD292,091,000 (2016: HKD246,913,000). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to all levels of personnel.

The Company had adopted a share option scheme to incentivize its senior management and employees. As at 31 December 2017, no options had been granted by the Company pursuant to the share option scheme.

OUTLOOK

The growth of global economy has been strengthened in 2017 since its upswing from mid-2016 and is expected to be further picked up in 2018. Recent purchasing managers' indices indicate strong manufacturing activity ahead, consistent with strong consumer confidence pointing to demand for goods and services. Riding on this trend, we foresee that we will continue to expand our production facilities and will hire more workers to meet our customers' demand in 2018. However, we will remain cautious towards the risks surrounding the global economy including the effect from the recent rising protectionism in international trade. This is the Group's strategy to remain focused on the business segments that we have strengths and expertise. With the extensive experience of our core team and our advanced technology in handling precision stainless steel materials and product design, we are very optimistic on the development of stainless steel product business ahead. We are committed to improving our operation efficiency and will make the best use of our resources to enhance our profitability for the purpose of achieving the sustainable growth of the Group.

EXECUTIVE DIRECTORS

YIU HON MING, *Chairman and Managing Director*

Mr. Yiu Hon Ming, aged 59, is the Chairman and Managing Director of the Company. He was appointed as a Director of the Company on 28 January 2010 and is also a director of each of the wholly owned subsidiaries of the Company. Mr. Yiu is the founder of the Group and has over 30 years of experience in metallic products manufacturing industry. Mr. Yiu is responsible for the overall strategic development of the Group's business as well as the implementation of strategic objectives and business plans for the Group. Besides, he provides leadership to the Board, organises board meetings and facilitates effective coordination among Directors. Mr. Yiu also founded other businesses which include real estate investment and development and jewellery retailing. Mr. Yiu completed a business management course organised by School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in April 2007. Mr. Yiu is the husband of Ms. Law Wai Ping and the father of Ms. Yiu Ho Ting, both are Executive Directors of the Company. He is also a director of each of Ming Fung Investment Limited, the immediate holding company of the Company, and Ming Fung Holdings (Hong Kong) Limited, the ultimate holding company of the Company.

LAW WAI PING

Ms. Law Wai Ping, aged 53, is an Executive Director of the Company. She was appointed as a Director of the Company on 11 March 2011 and is also a director and the company secretary of certain subsidiaries of the Company. Ms. Law has over 20 years of experience in the management of metallic product business and is primarily responsible for the Group's corporate resources management. She also partakes in formulating the development strategies of the Group. Ms. Law is the wife of Mr. Yiu Hon Ming, Chairman and Managing Director of the Company, and mother of Ms. Yiu Ho Ting, Executive Director of the Company. She is also a director of Ming Fung Holdings (Hong Kong) Limited, the ultimate holding company of the Company.

CHAU KAM WING DONALD, *Finance Director*

Mr. Chau Kam Wing, Donald, aged 55, is the Finance Director of the Company. He was appointed as a Director of the Company on 11 March 2011 and is responsible for overseeing the financial management of the Group. Mr. Chau has over 20 years of experience in auditing, taxation and financial management and had been appointed as financial controller of certain listed companies in Hong Kong. Mr. Chau obtained a master's degree in business administration from the University of San Francisco, United States in December 2000. He is also a Fellow Member of The Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Chau is currently an independent non-executive director of China Water Affairs Group Limited, Carpenter Tan Holdings Limited and Ching Lee Holdings Ltd., which are listed on the Main Board of the Stock Exchange. Mr. Chau is also an independent non-executive director of Eco-Tek Holdings Limited and Zhejiang Chang'an Renheng Technology Co., Ltd., which are both listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chau was an independent non-executive director of Zhejiang Shibao Company Limited, which is listed on both the Main Board of the Stock Exchange and the SME Board of Shenzhen Stock Exchange, from November 2009 to June 2015.

LI CHIN KEUNG

Mr. Li Chin Keung, aged 49, was appointed as an Executive Director of the Company on 24 March 2015. He has been the general manager of Winox Enterprise Company Limited ("Winox Enterprise") and Winox Watch Manufactory (Dongguan) Limited ("Winox Watch"), both being the wholly-owned subsidiaries of the Company, since July 2010, in charge of overall management of the Group. Mr. Li is also the general manager of Winox Management Limited, Bo Luo Ming Fung Kitchen Appliance Manufacturing Limited, Huizhou Fengcai Precious Metal Manufacturing Limited and Shengfeng Precision Manufacturing (Huizhou) Company Limited, all being the wholly-owned subsidiaries of the Company. Mr. Li joined Stelux Industries Limited in 1991 and held various positions during his tenure there including computer programmer, production material control manager, manager of sales department, assistant general manager and assistant manager of logistics department. Mr. Li joined the Group in 1999 and was responsible for the production and administrative work of the Group. He was the deputy general manager of Winox Manufacturing Company Limited for the period from October 1999 to March 2005. Mr. Li took the position of sales manager from April 2005 to December 2007, and was responsible for the European jewellery and related accessories markets and successfully opened up the European leading brand market for the Company. Mr. Li was then transferred to Winox Enterprise as a sales manager from January 2008 to August 2008. During the period from August 2008 to June 2010, Mr. Li was appointed as an assistant general manager of Winox Enterprise. In July 2010, he was promoted to the general manager of Winox Enterprise and Winox Watch. Mr. Li graduated from The Hong Kong Polytechnic University with a Diploma in Industrial and Operations Management in November 1998 and is the holder of a Diploma in Computing Studies (Technical Applications) awarded by the Chai Wan Technical Institute of the Vocational Training Council in September 1991.

YIU HO TING

Ms. Yiu Ho Ting, aged 32, was appointed as an Executive Director of the Company on 24 March 2015. She graduated from the Imperial College London, the United Kingdom and obtained a Master's degree in Mechanical Engineering. Ms. Yiu joined the Group in 2011. Currently, she serves as a manager of human resources and administration department and is mainly responsible for the human resources and internal operations management of the Group. Before joining the Group, she worked in a real estate company for 2 years, in charge of the internal operations management. Ms. Yiu is the daughter of Mr. Yiu Hon Ming, Chairman and General Manager of the Company, and Ms. Law Wai Ping, Executive Director of the Company. Mr. Yiu Hon Ming and Ms. Law Wai Ping are also the controlling shareholders of the Company.

NON-EXECUTIVE DIRECTOR

AU WAI MING, *Deputy Chairman*

Mr. Au Wai Ming, aged 71, is the Deputy Chairman and a Non-Executive Director of the Company. He was appointed as a Director of the Company on 11 March 2011. Mr. Au pursued his studies at Harbin Institute of Engineering (哈爾濱工程學院) and was graduated in August 1970. Mr. Au has about 40 years of experience in corporate development and management. He has worked for Guangdong Yuehai Property Group (廣東粵海地產集團) as well as Hutchison Whampoa Properties Limited. He had been an executive director of Guangdong Investment Limited for 10 years and was the former chairman and managing director of Kingway Brewery Holdings Limited, both companies are listed on the Main Board of the Stock Exchange. Mr. Au has extensive experience in property development and management and he has participated in the planning and development of certain well-known property projects such as Guangzhou Riverside Garden, Teem Plaza, Cape Coral and The Riverside. Mr. Au is currently an independent director of Rainbow Department Store Company Limited, the shares of which are listed on the Shenzhen Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CARSON WEN

Mr. Carson Wen, BBS, JP, aged 64, was appointed as an Independent Non-Executive Director of the Company on 24 June 2011. Mr. Wen is a practising solicitor and was Partner and then Of Counsel at the global law firm, Jones Day. He was qualified as a solicitor in Hong Kong in May 1980 and has more than 30 years of experience in business, corporate and securities law.

Mr. Wen was a three-term Deputy to the National People's Congress representing Hong Kong. He is also a Justice of the Peace of Hong Kong and holds various public service appointments in Mainland China and Hong Kong. He was awarded a Bronze Bauhinia Star by the Hong Kong SAR Government for his public contributions, in particular in the furthering of economic ties between Hong Kong, Mainland China and the rest of the world. He was a founding and executive committee member of the China Mergers and Acquisitions Association and sits on the board of numerous organisations, including the China Africa Business Council (Hong Kong) and the Pacific Basin Economic Council. He is a member of the Business Advisory Council and the Chairman of the Task Force on Green Business of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

Mr. Wen obtained his bachelor of arts degree from Columbia University in May 1975, where he majored in economics, and a bachelor of arts and master of arts degree from Oxford University in July 1977 and August 1981 respectively, where he studied law. He was Younger Prizeman in law at Balliol College, Oxford in 1977. In 2012, Mr. Wen was appointed as an independent non-executive director of Phoenix New Media Limited (Stock Code: FENG), which is listed on the New York Stock Exchange. He was also appointed as a member of the Advisory Board of International Mining and Infrastructure Corporation Plc (Stock Code: IMIC), the shares of which are listed on the Alternative Investment Market (AIM) in London.

WONG LUNG TAK PATRICK

Professor Patrick Wong Lung Tak, BBS, JP, aged 70, was appointed as an Independent Non-Executive Director of the Company on 24 June 2011. Professor Wong is a Certified Public Accountant (Practising) in Hong Kong, a Chartered Secretary and a Certified Tax Advisor (Hong Kong) and the Managing Practising Director of Patrick Wong CPA Limited. He has over 40 years experience in the accountancy profession. Professor Wong holds a Doctor of Philosophy degree in Business. He was awarded a Badge of Honour by the Queen of England in 1993. He has been appointed a Justice of the Peace in 1998 and was awarded a Bronze Bauhinia Star in 2010 by the Government of the Hong Kong Special Administrative Region. He was appointed Adjunct Professor, School of Accounting and Finance of The Hong Kong Polytechnic University from 2002 to 2013. Professor Wong is currently an independent non-executive director of Galaxy Entertainment Group Limited, CC Land Holdings Limited, Water Oasis Group Limited, Sino Oil and Gas Holdings Limited, National Arts Entertainment and Culture Group Limited, BAIC Motor Corporation Limited and Li Bao Ge Group Limited, all of which are companies listed on the Hong Kong Stock Exchange. Professor Wong was an independent non-executive director of Bisu Technology Group International Limited (formerly known as Excel Development (Holdings) Limited) from November 2013 to August 2015. He was also an independent non-executive director of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Ltd.) from June 2004 to October 2016. He was an independent executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Co. Ltd. (formerly known as Guangzhou Pharmaceutical Company Limited) from June 2010 to May 2017. He was also an independent non-executive director of Real Nutriceutical Group Limited (formerly known as Ruinian International Limited) from March 2008 to October 2017. All are listed on Main Board of the Stock Exchange.

WU MING LAM

Mr. Wu Ming Lam, aged 70, was appointed as an Independent Non-Executive Director of the Company on 24 March 2015. Mr. Wu has more than 30 years of experience in the industry of industrial products manufacturing. Mr. Wu has founded a number of corporations engaging in industrial production and investment business in Hong Kong since 1976. Currently, he serves as a director in Full Tat Company Limited, Cadilac Enterprises Limited, Roysun Development Company Limited, Cearns Co., Limited, Kowloon Spring Factory Limited, and Eastern Rainbow Precision Limited, and is in charge of resources management for those corporations, and participates in the development of company's strategies.

SENIOR MANAGEMENT

CHAN KAI MING, *Head of Factory (Division B)*

Mr. Chan Kai Ming, aged 63, is the Head of Factory (Division B) of Winox Enterprise Company Limited ("Winox Enterprise") and 盈利時錶業(東莞)有限公司 (Winox Watch Manufactory (Dongguan) Limited) and also partakes in the marketing issues of Winox Enterprise. Mr. Chan joined the Stelux Group in 1987 and joined our Group in 1999. Mr. Chan is mainly responsible for the management of our factories in China and the development and production of Swiss brand watch products as well as leading the Company for self innovation. Mr. Chan has over 30 years of experience in metallic products manufacturing industry and is the holder of a bachelor of science degree awarded by The Hong Kong Polytechnic University in November 2009.

COMPANY SECRETARY

HUEN LAI CHUN, *Company Secretary*

Ms. Huen Lai Chun, aged 52, is the company secretary of the Company. She was appointed as the company secretary and authorised representative of the Company on 13 June 2014. Ms. Huen is a fellow of The Association of Chartered Certified Accountants, and an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Huen has over 10 years of experience in handling the secretarial and compliance related matters of listed corporations.

Report of Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of Winox Holdings Limited and its subsidiaries for the year ended 31 December 2017 ("Annual Report").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company which provides corporate management services to its subsidiaries.

The Group is principally engaged in the development and manufacturing of stainless steel products such as watch bracelets, costume jewellery, accessories and parts for leather goods, and mobile phone cases and parts. The activities and particulars of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

There was no significant change in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including an indication of likely future developments in the Group's business, can be found in the Financial Highlights, Chairman's Statement and Management Discussion and Analysis set out on page 3, pages 4 to 5 and pages 6 to 10 of this Annual Report respectively. These discussions form part of this Report of Directors.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Risks relating to the industry

Business of the Group depends substantially on the global economic and market conditions. During periods of slowing economic growth or recession, consumer spending may drop as they are less willing to spend money. As our products are ultimately sold by our ultimate brand owners as part of their products to consumers in the high-end retail market, a drop in consumer spending power in luxury products could lead to a drop in demand for the brand owners' products, and in turn lower the demand of our products and thereby adversely affecting our results of operations and financial condition. To manage and reduce the risk, the Board intends to focus on stainless steel products, target high-end customers, and diversify our product portfolio by extending our product category to mobile phone and accessories for wearable devices, and makes prudent decision on expansion plan.

Risks relating to concentration of customers

The largest and top five customers of the Group accounted for approximately 44.1% and 86.9% of our total revenue for the year ended 31 December 2017 respectively (2016: 50.0% and 88.4% respectively). There is no assurance that our business relationship with our major customers will continue in the future. To reduce the risk, the Group has expanded its customer base for high-end customers in which it has achieved an improvement.

Risks relating to conducting business in the PRC

Our results, financial condition and prospect are to a significant degree subject to the economic, political and legal developments in the PRC, as a substantial part of our assets and business operations are located in the PRC. The economic, political and social conditions, as well as government policies, including taxation policies, of the PRC, could affect our business. To manage the risk, the Board has appointed certain senior management to closely monitor economic, political, legal, institutional and social developments in the PRC, and maintained conservative treasury policy in cash management, such as holding cash in Hong Kong.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event took place subsequent to 31 December 2017.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group attaches great importance to environmental protection and carefully takes various environmental factors into account in the operation and decision-making processes to optimize the use of resources, strictly comply with the applicable environmental regulations and other statutory requirements and reduce waste, as well as actively encourages its stakeholders to protect the environment and contribute to environmental protection.

We have adopted the following principles to minimise the impact on the environment from our operations:

- Comply with all relevant environmental regulations and other statutory requirements;
- Monitor, identify and review the impact from the Group's operations on the environment on a regular basis; and
- Require all staff to address environmental responsibilities, such as implementing green office measures, to enhance their environmental awareness.

The Group has constructed environmental facilities in its factories in the PRC. We have also established a system to monitor waste and sewage generated from production processes, and installed chemical sewage treatment facility to monitor proper disposal of contaminants, and make them fit for recycling to ensure the compliance with relevant environmental regulations and standards in the PRC.

The Group deals with hazardous waste cautiously. In addition to the compliance with statutory environmental requirements on storage of hazardous waste, additional waste disposal measures have been implemented. Such waste has been disposed by qualified hazardous waste management companies recognized by local environmental protection bureau regularly in accordance with environmental requirements in order to reduce adverse environmental impact.

In the meantime, the Group has introduced energy-saving facilities at the PRC's factories, in which energy-efficient lighting is adopted to reduce power consumption. In addition, an incentive system has been employed for use of raw materials to promote waste reduction and conservation of resources.

The Company believes that the environmental systems and facilities of our factories in the PRC have complied with the relevant national and local regulations on environmental protection in the PRC.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The principal activities of the Group during the year were development and manufacturing of stainless steel products such as watch bracelets, costume jewellery, accessories and parts for leather goods, and mobile phone cases and parts. During the year, as far as the Company is aware, there was no material breach of non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Company is of the view that it has been maintaining a good relationship with the following key stakeholders of the Group:

- employees and workers
- major customers
- major suppliers, such as, suppliers for production materials and component parts
- bankers

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 37 of this Annual Report and in the accompanying notes to the consolidated financial statements.

The Board recommends the payment of a final dividend of HK7 cents per ordinary share (2016: a final dividend of HK3 cents and a special dividend of HK3 cents per ordinary share) for the year ended 31 December 2017 to Shareholders whose names appear on the register of members of the Company ("Register of Members") on Monday, 4 June 2018. Subject to the approval of the Shareholders at the annual general meeting ("AGM") to be held on Monday, 28 May 2018, the proposed final dividend of approximately HKD35,000,000 in aggregate will be paid on Friday, 15 June 2018. Together with the interim dividend for the year of HK4 cents (2016: 1.6 cents) per ordinary share paid in September 2017, the total dividend for the year is HK11 cents (2016: 7.6 cents) per share.

For the purpose of ascertaining Shareholders' right to attend and vote at the AGM, the Register of Members will be closed from Wednesday, 23 May 2018 to Monday, 28 May 2018, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, ("Branch Share Registrar") for registration not later than 4:30 p.m. on Monday, 21 May 2018.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed on Monday, 4 June 2018 on which no transfer of shares of the Company will be registered. In order to be entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar for registration not later than 4:30 p.m. on Friday, 1 June 2018.

RESERVES

As at 31 December 2017, reserves of the Company available for distribution to the Shareholders were approximately HKD282,626,000 (2016: HKD274,036,000). Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity and note 32 to the consolidated financial statements on pages 39 and 71 of this Annual Report respectively. Under the Companies Law of the Cayman Islands (2016 Revised), the share premium account of the Company amounting to approximately HKD213,244,000 (2016: HKD213,244,000) is distributable to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. The share premium account of the Company may also be distributed in the form of fully paid bonus shares to be issued to Shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group for the last five financial years is set out on page 74 of this Annual Report.

DONATIONS

During the year, the Group made charitable and other donations amounting to HKD59,000 (2016: HKD60,000).

FIXED ASSETS

Details of movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

BORROWINGS

Details of the Group's borrowings as at 31 December 2017 are set out in note 22 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS

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

Executive Directors

Mr. Yiu Hon Ming *(Chairman & Managing Director)*
Ms. Law Wai Ping
Mr. Chau Kam Wing Donald *(Finance Director)*
Mr. Li Chin Keung
Ms. Yiu Ho Ting

Non-executive Director

Mr. Au Wai Ming *(Deputy Chairman)*

Independent Non-executive Directors

Mr. Carson Wen
Professor Wong Lung Tak Patrick
Mr. Wu Ming Lam

In accordance with article 84 of the Articles of Association of the Company, Mr. Yiu Hon Ming, Ms. Law Wai Ping and Mr. Carson Wen shall retire by rotation and, being eligible, have offered themselves for re-election at the AGM.

Biographical details of Directors, senior management and Company Secretary of the Company are set out on pages 11 to 13 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The Company considers all Independent Non-executive Directors to be independent.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the year are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this Annual Report, to the best knowledge of the Directors, none of the Directors and their respective associates was considered to have any interests in the businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

NON-COMPETITION UNDERTAKING

On 25 June 2011, the controlling shareholders of the Company, Mr. Yiu Hon Ming ("Mr. Yiu") and Ms. Law Wai Ping ("Ms. Law"), who are also Directors of the Company, entered into a deed of non-competition undertaking ("NCU Deed") with the Company under which each of Mr. Yiu and Ms. Law has undertaken that he/she will not, and will procure that his/her associates (other than members of the Group) will not:

(a) directly or indirectly whether as principal or agent or through any person, firm, company or organization carry on, participate or be interested or engaged in any business in any form or manner that is, directly or indirectly, in competition with the business of any member of our Group in the PRC, Hong Kong or any part of the world in which any member of our Group may from time to time operate;

(b) directly or indirectly, solicit, interfere with or entice away from any member of our Group any person, firm, company or organization who to, Mr. Yiu's and/or Ms. Law's knowledge, as at the date of the NCU Deed, was or had been or would after the date of the NCU Deed be, a customer, supplier, distributor or management, technical staff or employees (of managerial grade or above) of any member of our Group; and

(c) exploit his/her knowledge or information obtained from our Group to compete, directly or indirectly, with the business carried on by our Group from time to time.

During the year, both Mr. Yiu and Ms. Law have complied with terms of the NCU Deed. Each of them have provided to the Company a written confirmation in respect of their compliance with the NCU Deed on a half-yearly basis for the year.

The Independent Non-executive Directors have reviewed the status of compliance with the undertakings in the NCU Deed by Mr. Yiu and Ms. Law for the year ended 31 December 2017 and have confirmed that, as far as they can ascertain, Mr. Yiu and Ms. Law have complied with the terms of the NCU Deed for the year ended 31 December 2017.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, or the Company's subsidiaries or holding companies or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, each Director or other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme of the Company as disclosed below, at no time during the year was the Company, or the Company's subsidiaries or holding companies or fellow subsidiaries, a party to any arrangements to enable Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The share option scheme of the Company ("Share Option Scheme") was approved and adopted by the Board on 25 June 2011. No options may be granted under the Share Option Scheme on or after the date of the tenth anniversary of the adoption of the Share Option Scheme, i.e. 24 June 2021.

The purpose of the Share Option Scheme is to provide Directors, officers, employees and consultants of any member of our Group ("Participant(s)") with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing value of the Company and its shares for the benefit of the Company and its Shareholders as a whole. The Share Option Scheme provides the Company with a flexible means to retain, incentivise, reward, remunerate, compensate and/or provide benefits to Participants. The Share Option Scheme is administrated by the Board and the Remuneration Committee of the Company.

No option had been granted under the Share Option Scheme as at the date of this Annual Report. The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall be 50,000,000 shares, representing 10 per cent of the Company's total issued share capital as at the date of this Annual Report.

Unless approved by Shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including exercised, cancelled and outstanding options) under the Share Option Scheme in any twelve-month period must not exceed 1 per cent of the shares in issue. Each grant of options to any Director, chief executive or substantial Shareholder, or any of their respective associates shall be subject to prior approval by Independent Non-executive Directors. Where any grant of options to a substantial Shareholder or an Independent Non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the twelve-month period: (a) representing in aggregate over 0.1 per cent of the shares of the Company then in issue; and (b) having an aggregate value in excess of HKD5,000,000, such grant of options shall be subject to prior approval by the Shareholders.

No offer shall be made and no option shall be granted to any Participant in circumstances prohibited by the Listing Rules at a time when the Participant would or might be prohibited from dealing in the shares of the Company by the Listing Rules or by any applicable rules, regulations or law.

The period within which the options must be exercised will be specified by the Company at the time of grant. Such period must expire no later than ten years from the date of grant.

The amount payable upon acceptance of an option is HKD1. At the time of grant of the options, the Company may specify any minimum period for which an option must be held before it can be exercised or any performance targets which must be achieved before the options can be exercised. The Share Option Scheme does not contain any such minimum period and any performance targets.

The subscription price for shares on the exercise of the options shall be no less than the higher of: (a) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

A share to be allotted and issued upon the exercise of an option shall be subject to all provisions of the Articles of Association of the Company for the time being in force and will rank pari passu with the fully paid shares in issue on the date the name of the Participant shall be registered on the Register of Members. Prior to being registered on the Register of Members, the Participant is not entitled to any voting rights, or rights to participate in any dividends or distributions, in respect of the shares to be issued upon the exercise of the option.

During the year ended 31 December 2017, no option was granted or outstanding under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2017, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive have taken or deemed to have under such provisions of the SFO); (ii) recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

(a) The Company

Director	*Note*	Capacity	Total number of ordinary shares interested or deemed to be interested (Long positions)	Approximate percentage of total issued share capital of the Company
Yiu Hon Ming	*1*	Interest in controlled corporation and interest of spouse	331,700,000	66.34%
Law Wai Ping	*2*	Beneficial owner, interest in controlled corporation and interest of spouse	331,700,000	66.34%
Yiu Ho Ting	*3*	Beneficial owner and interest of spouse	5,758,000	1.15%
Li Chin Keung	*4*	Interest of spouse	804,000	0.16%
Au Wai Ming		Beneficial owner	3,776,000	0.76%

Notes:

1. Mr. Yiu Hon Ming ("Mr. Yiu") is legally and beneficially interested in 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company. Mr. Yiu is the husband of Ms. Law Wai Ping ("Ms Law"). By virtue of the SFO, Mr. Yiu is deemed to be interested in the same block of ordinary shares in which Ms. Law is interested.

2. Ms. Law is legally and beneficially interested in 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company. In addition, Ms. Law is directly and beneficially interested in 1,700,000 shares of the Company. Ms. Law is the wife of Mr. Yiu. By virtue of the SFO, Ms. Law is deemed to be interested in the same block of ordinary shares in which Mr. Yiu is interested.

3. Ms. Yiu Ho Ting ("Ms. Yiu") is directly and beneficially interested in 4,740,000 shares of the Company. In addition, her husband, Mr. Cheung Justin Chi Yen ("Mr. Cheung"), is directly interested in 1,018,000 shares of the Company. By virtue of the SFO, Ms. Yiu is deemed to be interested in the same block of ordinary shares in which Mr. Cheung is interested.

4. Ms. Cheung Wing Yan ("Ms. Cheung"), wife of Mr. Li Chin Keung ("Mr. Li"), is directly interested in 804,000 shares of the Company. By virtue of the SFO, Mr. Li is deemed to be interested in the same block of ordinary shares in which Ms. Cheung is interested.

(b) Associated Corporations

Director	*Note*	Associated corporation	Capacity	Total number of securities interested in associated corporation (Long positions)	Approximate percentage of total issued share capital of associated corporation
Yiu Hon Ming	*1*	Ming Fung Holdings (Hong Kong) Limited	Beneficial owner	60 ordinary shares	60%
		Ming Fung Investment Limited	Interest in controlled corporation	840 ordinary shares	95.45%
Law Wai Ping	*2*	Ming Fung Holdings (Hong Kong) Limited	Beneficial owner	40 ordinary shares	40%
		Ming Fung Investment Limited	Interest in controlled corporation	840 ordinary shares	95.45%

Notes:

1. Mr. Yiu is legally and beneficially interested in 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company.

2. Ms. Law is legally and beneficially interested in 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive have taken or deemed to have under such provisions of the SFO); (ii) entered in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2017, each of the following persons and entities, other than a Director or chief executive of the Company, had or were deemed to have interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	*Note*	Capacity	Total number of ordinary shares interested or deemed to be interested (Long positions)	Approximate percentage of total issued share capital of the Company
Ming Fung Investment Limited	*1*	Beneficial owner	330,000,000	66%
Ming Fung Holdings (Hong Kong) Limited	*1*	Interest in controlled corporation	330,000,000	66%
Winholme Holdings Limited	*2*	Beneficial owner	42,500,000	8.5%
Tang Wai Fong	*3*	Interest in controlled corporation	42,500,000	8.5%
Chan Kai Ming	*4*	Interest in controlled corporation	42,500,000	8.5%
Leung Wai Yin Edith	*5*	Interest of spouse	42,500,000	8.5%

Notes:

1. Ming Fung Holdings (Hong Kong) Limited is interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited.

2. Mr. Li Chin Keung, an executive Director, is the legal and beneficial owner of approximately 8.82% of the entire issued share capital of Winholme Holdings Limited.

3. Ms. Tang Wai Fong is the legal and beneficial owner of approximately 44.12% of the entire issued share capital of Winholme Holdings Limited.

4. Mr. Chan Kai Ming is the legal and beneficial owner of approximately 35.29% of the entire issued share capital of Winholme Holdings Limited.

5. Ms. Leung Wai Yin Edith is the wife of Mr. Chan Kai Ming. By virtue of the SFO, she is deemed to be interested in the same block of shares in which Mr. Chan Kai Ming is interested.

Save as disclosed above, as at 31 December 2017, the Company has not been notified by any person or entity who had or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 25 to 33 of this Annual Report.

RELATED PARTIES TRANSACTIONS

Details of related parties transactions of the Group for the year ended 31 December 2017 are set out in note 29 to the consolidated financial statements. The related parties transactions set out in note 29(i) to the consolidated financial statements constituted exempt connected transaction under rule 14A.76(1) of the Listing Rules, and the Company did not have any connected transactions which were subject to the relevant disclosure requirements under Chapter 14A of the Listing Rules for the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest and top five customers of the Group accounted for approximately 44.1% and 86.9% of the total revenue of the Group respectively (2016: 50.0% and 88.4% respectively).

The aggregate purchases during the year attributable to the Group's largest and top five suppliers were approximately 13.8% and 46.0% of the Group's total purchases respectively (2016: 14.8% and 46.1% respectively).

To the best knowledge of the Directors, none of the Directors, their close associates (within the meaning of Part XV of the SFO) or any Shareholder (holding more than 5% of the Company's share capital) had any interest in the five largest customers and/or suppliers of the Group during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the Company's total issued share capital held by the public during the year and up to the date of this Annual Report.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

On 24 February 2011, Winox Enterprise Company Limited ("Winox Enterprise"), an indirectly wholly-owned subsidiary of the Company, as borrower, entered into certain revised facilities letters with a financial institution to supersede the then facilities letters in order to facilitate the listing of the Company on the Stock Exchange in July 2011. These loan facilities (a) are interest bearing and secured; (b) are repayable by instalments ranging from a period of three quarters to 80 months commencing on 24 February 2011, and (c) contain repayment on demand clause at the discretion of the financial institution (the repayment on demand clause for certain committed loans was effective after 31 March 2013). These loan facilities were fully repaid in October 2017.

On 15 May 2012, Winox Enterprise, as borrower, entered into another facilities letter with the same financial institution in relation to two 5-year term loans at an aggregate amount of HKD70,000,000. These loan facilities (a) are interest bearing and secured; (b) are repayable by 60 monthly instalments commencing one month after each drawdown; and (c) contain repayment on demand clause at the discretion of the financial institution. The loans were drawn by 5 instalments on dates ranging from 28 May 2012 to 24 December 2012 and were fully repaid in December 2017.

On 21 June 2013, Winox Enterprise, as borrower, entered into another facilities letter with the same financial institution in relation to two term loans, which are interest bearing and secured, at the amounts of HKD40,000,000 (converted to committed loan on 27 December 2013, and is repayable by 12 equal quarterly instalments and fully repayable by 30 September 2016) and HKD60,000,000 (converted to committed loan on 24 March 2014 for the first 2 years from the loan drawdown date and is repayable by 28 equal quarterly instalments) respectively. During the year ended 31 December 2014, HKD30,000,000 was drawn on 25 June 2014 and HKD30,000,000 was drawn on 25 September 2014 from the latter loan.

On 24 November 2015, Winox Enterprise, as borrower, entered into another facilities letter with the same financial institution in relation to a term loan of up to HKD70,000,000. The loan facility (a) is interest bearing and secured; (b) is repayable by 20 equal quarterly instalments commencing three months after first drawdown; and (c) contains repayment on demand clause at the discretion of the financial institution which was effective after 22 months from the date of the first drawdown. HKD35,000,000 was drawn on 28 December 2015 and HKD35,000,000 was drawn on 15 March 2016.

Pursuant to these facilities letters, the controlling shareholder of the Company, Mr. Yiu Hon Ming and his family are required, at all times, to hold not less than 50% of the issued shares of the Company ("Specific Performance Obligations"). The breach of the Specific Performance Obligations will cause a default in respect of these loan facilities and the financial institution shall have the right to terminate the commitments and declare all outstanding amounts together with interests accrued thereon and all other sums payable under these loan facilities be immediately due and payable.

As at 31 December 2017, the amount of loan outstanding under these loan facilities was approximately HKD74,821,000 and the unutilised facilities available for drawdown amounted to HKD2,000,000.

TAX RELIEF AND EXEMPTION

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

INDEPENDENT AUDITOR

During the year, Messrs. Deloitte Touche Tohmatsu was appointed as the independent auditor of the Company. A resolution will be proposed at the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board

Yiu Hon Ming
Chairman and Managing Director

Hong Kong, 28 March 2018

Corporate Governance Report

The Company is committed to establishing and maintaining high standard of corporate governance and believes that good corporate governance system provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, advance accountability and maximise Shareholders' interests.

Throughout the year ended 31 December 2017, the Company has applied the principles of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules and complied with all the applicable code provisions of the CG Code, save and except for the deviations from code provisions A.2.1 and A.6.7.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yiu Hon Ming is the Chairman and Managing Director (being defined as Chief Executive under the CG Code) of the Company who is responsible for overseeing the overall operations of the Group. Mr. Yiu is the founder of the Group who possesses comprehensive knowledge and experience of the industry and has in-depth understanding of the Group's overall operations. Directors consider this structure is conducive to strong and consistent leadership, and effective and efficient planning and implementation of business decisions and strategies of the Group. The Board meets regularly to discuss major matters affecting the Group's operations and considers this structure does not impair the balance of power and authority between the Board and the management of the Company.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An Independent Non-executive Director was unable to attend the Company's annual general meeting held on 22 May 2017 due to his other business engagement.

The Company has formulated and adopted its corporate governance policy ("CG Policy") and it is the responsibility of the Board to perform the corporate governance duties. The CG Policy outlines certain essential corporate governance principles under the CG Code and intends to provide appropriate guidance on the effective application and promotion of corporate governance principles in the Company. The CG Policy is available on the website of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Model Code applies to Directors, relevant employees and officers who are likely to be in possession of unpublished price-sensitive information of the Company. Having made specific enquiry of all Directors, each of them confirmed that he/she has complied with the required standard set out in the Model Code during the year ended 31 December 2017 and up to the date of this Annual Report.

THE BOARD

The Board guides and monitors the business and affairs of the Company to enhance long-term Shareholders' value. It is also the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

There was in place a directors' and officers' liabilities insurance coverage in respect of legal actions against the Directors and officers arising from corporate activities.

Board Composition

As at the date of this Annual Report, the Board consisted of nine Directors (including the Chairman), amongst which five are Executive Directors and four are Non-executive Directors of whom three are independent.

Executive Directors
Mr. Yiu Hon Ming *(Chairman and Managing Director)*
Ms. Law Wai Ping
Mr. Chau Kam Wing Donald *(Finance Director)*
Mr. Li Chin Keung
Ms. Yiu Ho Ting

Non-executive Director
Mr. Au Wai Ming *(Deputy Chairman)*

Independent Non-executive Directors
Mr. Carson Wen
Professor Wong Lung Tak Patrick
Mr. Wu Ming Lam

The Board includes three Independent Non-executive Directors, representing one-third of the Board.

Professor Wong Lung Tak Patrick, an Independent Non-executive Director, is a practising certified public accountant in Hong Kong who possesses over 40 years of experience in the accountancy profession. He has appropriate accounting and related financial management expertise.

The Board focuses on formulating the Group's overall strategic policy, monitoring performance and providing leadership and control for effective management. The Board has delegated the authority and responsibility for business strategies implementation and day-to-day administration and operations of the Group's business to the Managing Director and senior management.

Major corporate matters that are specifically reserved to the Board include but not limited to:

- formulating the Group's business strategies;
- establishing corporate governance and internal control system; and
- monitoring performance of the management and providing guidance to the management.

Major duties and responsibilities of senior management include but not limited to:

- setting up offices for companies of the Group;
- executing business strategies and initiatives adopted by the Board;
- implementing proper and sufficient internal control systems and risk management procedures; and
- ensuring compliance with relevant statutory requirements and rules and regulations.

Save as disclosed in the section entitled "Directors and Senior Management and Company Secretary" of this Annual Report, there is no financial, business, family or other material/relevant relationship between Board members. Biographical details of Directors, which demonstrate a diversity of skills, expertise, experience and qualifications in the Board, are set out on pages 11 and 13 of this Annual Report.

Non-Executive Directors

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board and the Nomination Committee have reviewed the independence of the Independent Non-executive Directors and considered all of Mr. Carson Wen, Professor Wong Lung Tak Patrick and Mr. Wu Ming Lam to be independent within the definition of the Listing Rules.

All Non-executive Directors (including Independent Non-executive Directors) were appointed with specific term of 3 years and are subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association of the Company.

Chairman and Managing Director

During the year, the roles of Chairman and Managing Director (being defined as chief executive under the CG Code) were performed by Mr. Yiu Hon Ming, who is responsible for overseeing the overall operations of the Group.

Directors' Commitments and Continuous Professional Development

The Company has received confirmation from each Director that he/she has given sufficient time and attention to the affairs of the Company for the year ended 31 December 2017. Directors have disclosed to the Company the number and nature of offices held in Hong Kong and overseas listed public companies or organisations.

Each newly appointed Director receives an induction on his/her appointment to ensure that he/she has proper understanding of the operations and business of the Group and is fully aware of his/her responsibilities and obligations under the Listing Rules, applicable laws and other relevant statutory requirements. Directors are continually provided with updates on statutory and regulatory developments, evolution of the business environment so as to facilitate them to discharge their duties.

According to the records maintained by the Company, Directors received continuous professional development with an emphasis on the roles, functions and duties of being a director of a listed company in compliance with code provision A.6.5 of the CG Code during year ended 31 December 2017:

	Corporate governance/ updates on laws, rules & regulations	Accounting/ financial/ management or other professional skills
Executive Directors		
Yiu Hon Ming	✓	✓
Law Wai Ping	✓	✓
Chau Kam Wing Donald	✓	✓
Li Chin Keung	✓	✓
Yiu Ho Ting	✓	✓
Non-executive Director		
Au Wai Ming	✓	✓
Independent Non-executive Directors		
Carson Wen	✓	✓
Wong Lung Tak Patrick	✓	✓
Wu Ming Lam	✓	✓

AUDIT COMMITTEE

The Audit Committee was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the Company's website. The Audit Committee comprises wholly Independent Non-executive Directors.

Members of the Audit Committee

Professor Wong Lung Tak Patrick *(Chairman)*
Mr. Carson Wen
Mr. Wu Ming Lam

Main functions of the Audit Committee are:

- reviewing the accounting policies and practices, and supervising the Company's financial reporting process;
- monitoring the performance of both the internal and external auditors;
- reviewing and examining the effectiveness of risk management and internal control systems;
- considering major investigation findings on risk management and internal control matters; and
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements.

The Audit Committee is provided with sufficient resources to discharge its responsibilities. For the year ended 31 December 2017, the Audit Committee held four meetings, among others, to review with external auditor and senior management the interim and annual results of the Group as well as the accounting principles and practices being adopted, internal control and financial reporting matters. Our Finance Director, senior management, internal auditor and external auditor, as appropriate, attended the meetings to respond to any queries raised by the Audit Committee. The Audit Committee also reviewed the external auditor's independence and made recommendations to the Board on the re-appointment of external auditor.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the Company's website. The Remuneration Committee comprised four members, amongst which three are Independent Non-executive Directors and one is Executive Director.

Members of the Remuneration Committee

Professor Wong Lung Tak Patrick *(Chairman)*
Mr. Yiu Hon Ming
Mr. Carson Wen
Mr. Wu Ming Lam

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration packages of Directors and senior management, with reference to their duties, responsibilities and performance, and the results of the Group. No Director will be involved in deciding his/her own remuneration.

For the year ended 31 December 2017, the Remuneration Committee held two meetings to review and approve the 2016 performance bonus proposal of the Company, and discuss the remuneration packages of Directors and senior management of the Company.

Remuneration of Directors and Senior Management

Particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 10 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the year ended 31 December 2017 is set out below:

	Number of Individuals
Nil to HKD1,000,000	1

NOMINATION COMMITTEE

The Nomination Committee was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the Company's website. The Nomination Committee comprised four members, amongst which three are Independent Non-executive Directors and one is Executive Director.

Members of the Nomination Committee

Mr. Yiu Hon Ming *(Chairman)*
Mr. Carson Wen
Professor Wong Lung Tak Patrick
Mr. Wu Ming Lam

The Nomination Committee, with the aim to build up a strong and diverse Board, would identify suitable and qualified individuals, in particular those who can add value to the management through their expertise in relevant strategic business areas, to be Board members, and would recommend the Board on relevant matters relating to the appointment or re-appointment of Directors, if necessary. Details of the procedure for Shareholders to propose a person for election as a Director are outlined in the "Director Nomination Procedure" which is available on the Company's website.

For the year ended 31 December 2017, the Nomination Committee held one meeting to review the structure, size and composition (including the skills, knowledge and experience) of the Board, to assess the independence of Independent Non-executive Directors and to make recommendations to the Board on the re-appointment of Directors taking into account their experience and qualifications.

Board Diversity Policy

On 23 August 2013, the Nomination Committee adopted the board diversity policy of the Company which sets out the approach to achieve diversity on the Board. The Board recognises the benefits of board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of the Group's business strategies. The Company seeks to achieve board diversity through the consideration of a number of factors, 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 the candidates' merits and contributions to the Board. The Nomination Committee reviews the board diversity policy, as appropriate, to ensure its effectiveness from time to time. The Company considers that the current Board composition is characterised by diversity, whether considered in terms of gender, professional background and skills.

BOARD AND COMMITTEE MEETINGS

During the year ended 31 December 2017, the Board held six meetings. At these meetings, the Board, among others, reviewed and discussed the Group's business updates and strategies. The individual attendance record of each Director at the Board meetings, Board Committee meetings and general meetings during the year is set out below:

	Number of meetings attended/held				
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meeting
Executive Directors					
Yiu Hon Ming	6/6	N/A	2/2	1/1	1/1
Law Wai Ping	6/6	N/A	N/A	N/A	1/1
Chau Kam Wing Donald	6/6	4/4	N/A	N/A	1/1
Li Chin Keung	6/6	N/A	N/A	N/A	1/1
Yiu Ho Ting	6/6	N/A	N/A	N/A	1/1
Non-executive Director					
Au Wai Ming	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Carson Wen	5/6	2/4	0/2	1/1	0/1
Wong Lung Tak Patrick	6/6	4/4	2/2	1/1	1/1
Wu Ming Lam	5/6	3/4	2/2	1/1	1/1

Minutes of the Board and Board Committee meetings are recorded in sufficient details including any matters considered, decisions reached, concerns or queries raised or dissenting views expressed by the Directors in meetings. Draft and final versions of minutes of the Board and Board Committees are sent to all Directors or Board Committee members for comments and records respectively within a reasonable time after meetings.

COMPANY SECRETARY

The Company has engaged an external service provider as its Company Secretary since 12 June 2014. The Finance Director of the Company is the contact person of the external service provider. The biographical detail of the Company Secretary is disclosed in the section entitled "Directors, Senior Management and Company Secretary" of this Annual Report. During the year under review, the Company Secretary undertook over 15 hours of relevant professional training to update her skills and knowledge.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such 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's risk management framework and the responsibilities of each delegated group within it are as follows:

Board

- Determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;
- Ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

- Assists the Board to perform its responsibilities of risk management and internal control systems;
- Oversees the Group's risk management and internal control systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance control;
- Ensures the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions; and
- Considers major investigation findings on risk management and internal control matters, and reports and makes recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;
- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;
- Monitors risks and takes measures to mitigate risks in day-to-day operations;
- Follow up the findings on risk management and internal control matters raised by the internal audit team and take prompt remedial action to improve the systems; and
- Provides confirmation to the Board and Audit Committee on the effectiveness of the risk management and internal control systems.

Internal Audit Team

- Reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and
- Reports to the Audit Committee the findings of the reviews and makes recommendations to the Board and management to improve the material system deficiencies or control weaknesses identified.

The Group's internal audit function is performed by an internal audit team and it plays an important part in the assessment of the effectiveness of the risk management and internal control systems of the Group and reports directly to the Audit Committee. The team conducts internal audit reviews on material internal control systems covering major financial, operational and compliance controls, as well as risk management functions. The internal audit team reports to the Audit Committee on a quarterly basis and recommends remedial plans to management for any internal control deficiencies identified. The team monitors the implementation of its recommendations by the management and reports the outcome to the Audit Committee.

The Board has reviewed the effectiveness of the Group's risk management and internal control systems and considered them to be effective and adequate during the year under review.

HANDLING INSIDE INFORMATION

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

SHAREHOLDERS' RIGHTS

Shareholders convening an extraordinary general meeting

Pursuant to Article 58 of the Articles of Association of the Company, any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, Shareholders may hold the extraordinary general meeting, and all reasonable expenses incurred by the Shareholders as a result of the failure of the Board shall be reimbursed to the Shareholders by the Company.

Shareholders' enquiries and proposals

To foster regular and contribute two-way communications amongst the Company, its Shareholders and potential investors, the Company Secretary is designated to respond to enquiries and proposals from Shareholders as well as the public. Shareholders' enquiries and proposals can be made via email at info@winox.com or by phone at (852) 23493776. In addition, the Company is committed to maximising the use of its website (www.winox.com) as a channel to provide updated information in a timely manner and to strengthen the communications with Shareholders and the public. The Company has formulated the its shareholders communication policy ("Shareholders Communication Policy") which enables Shareholders to exercise their rights in an informed manner. The Shareholders Communication Policy is available on the Company's website.

Publications of the Company's documents

The following documents of the Company are available on the Company's website for Shareholders' reference:

- List of Directors and their Role and Functions
- Memorandum and Articles of Association
- Terms of Reference of Audit Committee
- Terms of Reference of Nomination Committee
- Terms of Reference of Remuneration Committee
- Corporate Governance Policy
- Director Nomination Procedure
- Shareholders Communication Policy
- Whistle-blowing Policy

INVESTOR RELATIONS

The Company recognises the importance to maintain effective communication with the financial community and other stakeholders in order to achieve a fair valuation on the Company's securities as well as to enhance Shareholders' value. Effective communication process involves the provision of accurate, complete and transparent information of the Company on timely and equal bases. During the year, the Company arranged meetings and interviews with various institutional investors.

AUDITOR'S REMUNERATION

An analysis of the remuneration payable to the Group's independent auditor, Messrs. Deloitte Touche Tohmatsu, to perform audit and non-audit services for the year ended 31 December 2017 is as follows:

Services rendered	2017 HKD'000	2016 HKD'000
Audit service	1,340	1,300
Non-audit service	320	310

The non-audit services include professional services in relation to the Company's interim results and preliminary results announcements.

OTHER SPECIFIC DISCLOSURES

During the year, there were no changes in the Company's Memorandum and Articles of Association. An up-to-date consolidated version of the Company's Memorandum and Articles of Association is available on the Company's website.

Directors have acknowledged their responsibility for preparing all information and representations contained in the consolidated financial statements of the Company for the year ended 31 December 2017.

Directors consider that the consolidated financial statements of the Company for the year ended 31 December 2017 have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates, and reasonable, informed and prudent judgments of the Board and management of the Company with an appropriate consideration to materiality.

Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Company for the year ended 31 December 2017 on a going concern basis.

Deloitte. 德勤

To the Shareholders of Winox Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Winox Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 73, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Estimated allowance for trade receivables	
We identified the estimated allowance for trade receivables as a key audit matter due to the significance of the balance and the use of judgement and estimates by the management on the recoverability of trade receivables. In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables as set out in note 4 to the consolidated financial statements. As disclosed in note 19 to the consolidated financial statements, the carrying amount of trade receivables is HK$140,261,000 (net of allowance for doubtful debts of nil) as at 31 December 2017.	Our procedures in relation to assessing the appropriateness of the estimated allowance for trade receivables included: • Obtaining an understanding of how allowance for trade receivables is estimated by the management. • Testing the aging analysis of trade receivables, on a sample basis, to the sales invoices. • Assessing the reasonableness of allowance for trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables. • Tracing a selection of the subsequent settlements to the bank receipts.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Leung Chui Shan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Turnover	5	**891,446**	574,318
Cost of goods sold		**(634,917)**	(420,608)
Gross profit		**256,529**	153,710
Other income	6	**8,228**	6,189
Other gains and losses	7	**(8,173)**	2,706
Selling and distribution costs		**(26,235)**	(20,249)
Administrative expenses		**(86,798)**	(78,811)
Finance costs	8	**(3,489)**	(4,522)
Profit before taxation	9	**140,062**	59,023
Taxation	11	**(23,627)**	(10,319)
Profit for the year		**116,435**	48,704
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**36,789**	(32,479)
Total comprehensive income for the year		**153,224**	16,225
Earnings per share – Basic	12	**HK23.3 cents**	HK9.7 cents

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	349,617	323,558
Prepaid lease payments	15	33,083	31,576
Deposit for land use right	16	21,781	20,276
Deposits paid for acquisition of property, plant and equipment		19,724	10,074
Deposit and prepayment for a life insurance policy	17	4,087	4,261
		428,292	389,745
Current assets			
Inventories	18	82,150	53,447
Trade and other receivables	19	177,649	112,467
Taxation recoverable		1,905	4,139
Bank balances and cash	20	200,453	179,247
		462,157	349,300
Current liabilities			
Trade and other payables	21	143,508	75,448
Taxation payable		21,223	5,185
Bank borrowings – amount due within one year	22	74,821	87,989
		239,552	168,622
Net current assets		222,605	180,678
Total assets less current liabilities		650,897	570,423
Non-current liabilities			
Bank borrowings – amount due after one year	22	–	22,750
		650,897	547,673
Capital and reserves			
Share capital	24	50,000	50,000
Reserves		600,897	497,673
		650,897	547,673

The consolidated financial statements on pages 37 to 73 were approved and authorised for issue by the Board of Directors on 28 March 2018 and are signed on its behalf by:

YIU HON MING
DIRECTOR

CHAU KAM WING DONALD
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2016	50,000	213,244	(3,246)	299,450	559,448
Profit for the year	–	–	–	48,704	48,704
Other comprehensive expense for the year	–	–	(32,479)	–	(32,479)
Total comprehensive (expense) income for the year	–	–	(32,479)	48,704	16,225
Dividends paid (note 13)	–	–	–	(28,000)	(28,000)
At 31 December 2016	50,000	213,244	(35,725)	320,154	547,673
Profit for the year	–	–	–	116,435	116,435
Other comprehensive income for the year	–	–	36,789	–	36,789
Total comprehensive income for the year	–	–	36,789	116,435	153,224
Dividends paid (note 13)	–	–	–	(50,000)	(50,000)
At 31 December 2017	50,000	213,244	1,064	386,589	650,897

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Operating activities		
Profit before taxation	140,062	59,023
Adjustments for:		
Interest income	(321)	(202)
Interest expenses	3,489	4,522
Depreciation	34,350	32,807
Release of prepaid lease payments	772	778
Loss on disposal/write-off of property, plant and equipment	2,106	2,241
Imputed interest income from deposit and prepayment for a life insurance policy	(151)	(160)
Premium charges on a life insurance policy	325	356
Operating cash flows before movements in working capital	180,632	99,365
Increase in inventories	(24,319)	(6,580)
Increase in trade and other receivables	(63,065)	(14,934)
Increase in trade and other payables	52,405	5,593
Cash generated from operations	145,653	83,444
Hong Kong Profits Tax paid	(1,846)	(14,438)
The People's Republic of China ("PRC") Enterprise Income Tax ("EIT") paid	(4,042)	(3,980)
PRC EIT refunded	28	–
Net cash from operating activities	139,793	65,026
Investing activities		
Purchase of property, plant and equipment	(26,795)	(17,777)
Deposits paid for acquisition of property, plant and equipment	(19,724)	(10,074)
Interest received	321	202
Proceeds from disposal of property, plant and equipment	68	505
Net cash used in investing activities	(46,130)	(27,144)
Financing activities		
Dividends paid	(50,000)	(28,000)
Repayment of bank borrowings	(36,040)	(49,099)
Interest paid	(3,489)	(4,522)
Bank borrowings raised	–	38,500
Net cash used in financing activities	(89,529)	(43,121)
Net increase (decrease) in cash and cash equivalents	4,134	(5,239)
Cash and cash equivalents at 1 January	179,247	196,295
Effect of foreign exchange rate changes	17,072	(11,809)
Cash and cash equivalents at 31 December, representing bank balances and cash	200,453	179,247

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Ming Fung Holdings (Hong Kong) Limited, a company with limited liability incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Yiu Hon Ming ("Mr. Yiu"), who is also the Chairman and Managing Director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report. The Company is an investment holding company and the principal activities of its principal subsidiaries are set out in note 33.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014–2016 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 34. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 34, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 "Financial instruments"

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

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

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

For the year ended 31 December 2017

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 "Financial instruments" *(Continued)*

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate that except for the application of expected loss model for financial assets which are subject to impairments, all financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39 on initial application of HKFRS 9.

Based on the assessment by the directors of the Company, if the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would not have material impact on the opening retained profits.

HKFRS 15 "Revenue from contracts with customers"

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

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

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

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

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

Currently under HKAS 18, the Group recognises revenue from sales of goods when the goods are delivered and titles have been passed to the customer and the significant risks and rewards of ownership of the goods have been transferred to the customer. Commission is paid to an intermediary agent for sales to a specific customer and is recorded when the related sales are recognised. Under HKFRS 15, the Group has assessed whether the revenue will be recognised overtime or at a point in time for those manufactured products with no alternative use to the Group, the revenue for such products will be recognised over time if the Group has an enforceable right to payment for performance completed to date or otherwise at a point in time upon customers obtain control of the relevant products. In addition, HKFRS 15 requires incremental costs of obtaining a contract to be recognised as an asset if the Group expects to recover these costs. The directors of the Company are still in the process of assessing the full impact of the application of HKFRS 15, including the timing of recognising revenue and the commission payable to the intermediary agent, on the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 "Leases"

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$7,482,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK$52,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments and would be included at the initial measurement of right of use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts and sales related taxes.

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

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

Service income is recognised when services are provided.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Financial liabilities and equity instruments

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

Equity instrument

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land and building *(Continued)*

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Government grants

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowings 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 eligible for capitalisation.

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

Retirement benefits costs

Payments to retirement benefits plans and government-managed retirement benefits schemes are charged as an expense when employees have rendered service, entitling them to the contributions.

Short-term employee benefits

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

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following is the key assumption concerning the future and other key source 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 relevant assets within the next financial year.

Estimated allowance for trade receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are made on trade receivables whenever there is any objective evidence that the balances may not be collectible. In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables.

As at 31 December 2017, the carrying amount of trade receivables is HK$140,261,000 (2016: HK$88,938,000) (net of allowance for doubtful debts of nil (2016: nil)).

For the year ended 31 December 2017

5. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in manufacture and trading of stainless steel products. Information reported to the members of executive directors of the Company, the chief operating decision makers (the "CODM"), for the purposes of resources allocation and assessment of performance focuses on revenue analysis by products, including watch bracelets, costume jewellery, mobile phone cases and parts and accessories and parts for leather goods, and by locations of customers, including Switzerland, Taiwan, Liechtenstein and other European countries, PRC, Hong Kong and others. However, other than revenue analysis, no operating results and other discrete financial information is available. In addition, the CODM reviews the results of the Group as a whole to make decisions. Accordingly, no segment information is presented other than entity wide disclosures.

Turnover from major products

Turnover by products are as follows:

	2017 HK$'000	2016 HK$'000
Watch bracelets	**433,849**	318,583
Costume jewellery	**118,023**	120,368
Mobile phone cases and parts	**323,393**	116,525
Accessories and parts for leather goods	**16,181**	18,842
	891,446	574,318

Geographical information

Turnover from external customers based on locations of customers by geographical areas is as follows:

	2017 HK$'000	2016 HK$'000
Switzerland	**413,438**	301,179
Taiwan	**225,546**	85,986
Liechtenstein and other European countries	**122,165**	114,142
PRC	**71,734**	31,097
Hong Kong	**52,721**	27,901
Other countries	**5,842**	14,013
	891,446	574,318

Information about the Group's non-current assets (excluding deposit and prepayment for a life insurance policy) is presented based on the location of the assets.

	2017 HK$'000	2016 HK$'000
Hong Kong	**7,565**	4,258
PRC	**416,640**	381,226
	424,205	385,484

For the year ended 31 December 2017

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Turnover from customers of the corresponding year contributing over 10% of the total turnover of the Group is as follows:

	2017 HK$'000	2016 HK$'000
Customer A[1]	**393,374**	286,906
Customer B[2]	**225,379**	85,539
Customer C[3]	**104,922**	93,953

Notes:

1 Turnover from sales of watch bracelets.

2 Turnover from sales of mobile phone cases and parts.

3 Turnover from sales of costume jewellery and accessories.

6. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Bank interest income	**321**	202
Gain from sales of scrap materials	**1,106**	1,672
Government grants recognised in respect of export incentive payments/research expenses	**4,173**	2,400
Imputed interest income from deposit and prepayment for a life insurance policy	**151**	160
Management and administrative service fee received (note 29(i))	**252**	252
Others	**2,225**	1,503
	8,228	6,189

7. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Loss on disposal/write-off of property, plant and equipment	**(2,106)**	(2,241)
Net foreign exchange (losses) gains	**(6,067)**	4,947
	(8,173)	2,706

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8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interests on bank borrowings	3,489	4,522

9. PROFIT BEFORE TAXATION

	2017 HK$'000	2016 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 10)	4,552	5,463
Other staff costs	268,585	223,811
Other staff's retirement benefits schemes contributions	18,954	17,639
Total staff costs	292,091	246,913
Less: Capitalised in inventories	(241,673)	(198,504)
	50,418	48,409
Auditor's remuneration	1,340	1,300
Cost of inventories recognised as expenses (including staff costs and depreciation capitalised in inventories)	616,665	406,624
Depreciation of property, plant and equipment	34,350	32,807
Less: Capitalised in inventories	(22,108)	(21,766)
	12,242	11,041
Release of prepaid lease payments	772	778
Premium charges on a life insurance policy	325	356
Operating lease rentals in respect of rented premises	1,698	2,276

For the year ended 31 December 2017

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

The emoluments of directors and chief executive during the year are as follow:

	2017					2016				
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors										
Mr. Yiu	–	602	150	18	770	–	600	500	18	1,118
Ms. Law Wai Ping	–	602	60	18	680	–	600	210	18	828
Mr. Chau Kam Wing Donald	–	840	–	18	858	–	840	35	18	893
Mr. Li Chin Keung	–	849	150	18	1,017	–	858	500	18	1,376
Ms. Yiu Ho Ting	–	478	10	19	507	–	480	30	18	528
Non-executive director										
Mr. Au Wai Ming	180	–	–	–	180	180	–	–	–	180
Independent non-executive directors										
Mr. Carson Wen	180	–	–	–	180	180	–	–	–	180
Professor Wong Lung Tak Patrick	180	–	–	–	180	180	–	–	–	180
Mr. Wu Ming Lam	180	–	–	–	180	180	–	–	–	180
Total emoluments	720	3,371	370	91	4,552	720	3,378	1,275	90	5,463

Mr. Yiu is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive director and independent non-executive directors shown above were for their services to the directors of the Company.

The discretionary bonus is determined by reference to the individual performance of the directors and approved by the remuneration committee of the Company.

The five highest paid individuals included 4 directors (2016: 4) of the Company for the year ended 31 December 2017. Details of whose emoluments are included in above. The emoluments of the remaining highest paid individual during the year are as follows:

	2017 HK$'000	2016 HK$'000
Employees		
– salaries and other benefits	**521**	614
– discretionary bonus	**100**	520
– retirement benefits schemes contributions	**18**	18
	639	1,152

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10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The emoluments of the employee were within the following band:

	Number of employee 2017	2016
Nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	–	1

During the year, no emoluments were paid by the Group to the directors, the chief executive or the five highest paid individuals (including directors, the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the chief executive have waived any emoluments during the year.

11. TAXATION

	2017 HK$'000	2016 HK$'000
The tax charge comprises:		
Hong Kong Profits Tax		
Current year	15,297	6,564
Overprovision in prior years	(72)	(40)
	15,225	6,524
PRC EIT		
Current year	9,376	4,826
Overprovision in prior years	(974)	(1,031)
	8,402	3,795
	23,627	10,319

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

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11. TAXATION *(Continued)*

Taxation for the year is reconciled to profit before taxation as follows:

	2017 HK$'000	2016 HK$'000
Profit before taxation	**140,062**	59,023
Tax charge at the domestic income tax rate at 16.5% (2016: 16.5%)	**23,110**	9,739
Tax effect of income not taxable for tax purposes	**(1,803)**	(1,631)
Tax effect of expenses not deductible for tax purposes	**148**	150
Tax effect of tax losses not recognised	**425**	2,138
Tax effect of different tax rates applied to subsidiaries in the PRC	**3,391**	1,171
Utilisation of tax losses previously not recognised	**(598)**	(177)
Overprovision in prior years	**(1,046)**	(1,071)
Taxation for the year	**23,627**	10,319

12. EARNINGS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Earnings for the purposes of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**116,435**	48,704

	Number of shares '000	'000
Number of shares for the purpose of calculating basic earnings per share	**500,000**	500,000

No dilutive earnings per share is presented as there were no potential dilutive shares in both years.

13. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividends recognised as distribution during the year:		
2016 final dividend – HK3 cents per ordinary share	**15,000**	–
2016 special dividend – HK3 cents per ordinary share	**15,000**	–
2017 interim dividend – HK4 cents per ordinary share	**20,000**	–
2015 final dividend – HK4 cents per ordinary share	–	20,000
2016 interim dividend – HK1.6 cents per ordinary share	–	8,000
	50,000	28,000

On 28 March 2018, a final dividend of HK7 cents (2016: a final dividend of HK3 cents and a special dividend of HK3 cents) per ordinary share in respect of the year ended 31 December 2017, totalling HKD35,000,000 (2016: HKD30,000,000), has been proposed by the board of directors of the Company. The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

For the year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2016	155,751	307,807	46,925	20,117	4,867	15,513	550,980
Currency realignment	(10,023)	(15,706)	(2,024)	(1,865)	(278)	(766)	(30,662)
Additions	–	9,478	4,116	–	–	13,113	26,707
Reclassification	–	–	–	18,508	–	(18,508)	–
Disposals/write-off	–	(5,467)	(217)	–	–	–	(5,684)
At 31 December 2016	145,728	296,112	48,800	36,760	4,589	9,352	541,341
Currency realignment	10,832	18,156	2,411	2,751	286	421	34,857
Additions	–	32,382	3,765	–	–	2,359	38,506
Reclassification	–	2,261	–	7,593	–	(9,854)	–
Disposals/write-off	–	(4,904)	(184)	–	(400)	–	(5,488)
At 31 December 2017	156,560	344,007	54,792	47,104	4,475	2,278	609,216
DEPRECIATION							
At 1 January 2016	21,717	138,598	30,373	3,305	2,190	–	196,183
Currency realignment	(1,611)	(5,443)	(1,059)	(35)	(121)	–	(8,269)
Provided for the year	4,591	21,770	5,353	748	345	–	32,807
Eliminated on disposals/write-off	–	(2,755)	(183)	–	–	–	(2,938)
At 31 December 2016	24,697	152,170	34,484	4,018	2,414	–	217,783
Currency realignment	2,029	7,073	1,449	90	139	–	10,780
Provided for the year	4,828	22,906	5,170	1,104	342	–	34,350
Eliminated on disposals/write-off	–	(2,799)	(155)	–	(360)	–	(3,314)
At 31 December 2017	31,554	179,350	40,948	5,212	2,535	–	259,599
CARRYING VALUES							
At 31 December 2017	125,006	164,657	13,844	41,892	1,940	2,278	349,617
At 31 December 2016	121,031	143,942	14,316	32,742	2,175	9,352	323,558

For the year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The buildings are situated in PRC.

At 31 December 2017, the Group has pledged certain of its buildings of HK$40,374,000 (2016: HK$39,459,000) to a bank to secure the credit facilities granted to the Group.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	Over the shorter of the lease terms, or 3% – 5%
Plant and machinery	10% – 25%
Furniture, fixtures and equipment	10% – 20%
Leasehold improvements	3.3% – 20%
Motor vehicles	20%

15. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Land use rights situated in PRC		
At 1 January	**32,321**	35,303
Currency realignment	**2,334**	(2,204)
Released to profit or loss	**(772)**	(778)
At 31 December	**33,883**	32,321
Analysed for reporting purposes as:		
Non-current assets	**33,083**	31,576
Current assets (included in trade and other receivables)	**800**	745
	33,883	32,321

At 31 December 2017, the Group has pledged certain of its land use rights of HK$6,101,000 (2016: HK$5,842,000) to a bank to secure the credit facilities granted to the Group.

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16. DEPOSIT FOR LAND USE RIGHT

A deposit of RMB18,158,000 (equivalent to HK$21,781,000) (2016: RMB18,158,000 (equivalent to HK$20,276,000)) was paid for land use right in prior year as the Group intended to establish a new production plant at Boluo County, Huizhou, PRC ("Huzhen Site"). The requisite construction land quota in respect of the Huzhen Site has not been granted and the development of production premises at Huzhen Site is postponed. At 31 December 2017, the transaction has not been completed. The directors of the Company considered it is in the interest of the Group to acquire more land for production use in order to cater for the long-term development plan of the Group. Accordingly, it is the Group's intention to continue to negotiate with the local government authorities for the grant of the construction land quota and approval.

17. DEPOSIT AND PREPAYMENT FOR A LIFE INSURANCE POLICY

In September 2010, a subsidiary of the Company entered into a life insurance policy (the "Policy") to insure Mr. Yiu. Under the Policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is US$4,000,000 (equivalent to HK$31,000,000). At the inception of the Policy, the Group paid an upfront payment of US$800,000 (equivalent to HK$6,200,000). The Group will receive cash refund based on the net nominal account value of the Policy at the date of withdrawal. The Group will also receive an interest at interest rates guaranteed by the insurer.

At the date of initial recognition, the directors of the Company expected that the Policy would be terminated at 7th anniversary from date of inception, which is 2017, and there would be a specified surrender charge of US$97,560 (equivalent to HK$756,000) in accordance with the Policy. The directors of the Company reassessed the expected life of the Policy as a result of a new bank borrowing granted in 2016 and expected that the Policy will be terminated at 11th anniversary from date of inception, which is 2021, and there will be an expected surrender charge of US$54,200 (equivalent to HK$420,000). The directors of the Company considered that the financial impact of the option to terminate the policy was not significant.

The effective interest rate of the deposit is 4.75% (2016: 4.75%) per annum which is determined on initial recognition by discounting the estimated future cash receipts over the expected life of the Policy of 11 years (2016: 11 years).

At 31 December 2017 and 2016, the Policy was pledged to a bank to secure general banking facilities granted to the Group.

The deposit and prepayment for a life insurance policy is denominated in United States dollars ("US$"), a currency other than the functional currency of the relevant group entity.

18. INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Raw materials	**10,694**	9,550
Work in progress	**50,631**	33,023
Finished goods	**20,825**	10,874
	82,150	53,447

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19. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**140,261**	88,938
Prepayments and deposits	**6,571**	7,661
Prepaid lease payments	**800**	745
Value added tax recoverable	**27,036**	12,351
Deposit and prepayment for a life insurance policy	**326**	326
Others	**2,655**	2,446
	177,649	112,467

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 90 days by the customers from date of issuance. A longer credit period may be granted to large or long-established customers with good payment history. The following is an aging analysis of trade receivables at the end of each reporting period based on the invoice date, which approximated the respective revenue recognition dates.

	2017 HK$'000	2016 HK$'000
0 to 30 days	**89,738**	58,523
31 to 60 days	**44,328**	25,570
61 to 90 days	**5,875**	2,579
Over 90 days	**320**	2,266
	140,261	88,938

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period. The directors of the Company considered that the trade receivables that are neither past due nor impaired have a good credit quality.

At 31 December 2017, included in the Group's trade receivable balances are trade receivables of HK$17,430,000 (2016: HK$9,746,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

Aging analysis of trade receivables which are past due but not impaired is as follows:

	2017 HK$'000	2016 HK$'000
Overdue:		
Within 60 days	17,413	9,436
61 to 90 days	17	21
Over 90 days	–	289
	17,430	9,746

The directors of the Company anticipate a full recovery of these amounts. The concentration of credit risk on the trade receivables has been discussed in note 31.

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

	2017 HK$'000	2016 HK$'000
US$	3,544	52,594
Swiss Franc ("CHF")	360	109

20. BANK BALANCES AND CASH

The bank balances carry interest at the prevailing market rate of about 0.01% to 0.30% (2016: 0.01% to 0.30%) per annum at 31 December 2017.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currencies of the relevant group entities to which they relate:

	2017 HK$'000	2016 HK$'000
Renminbi ("RMB")	18,155	2,707
US$	29,968	28,828
CHF	2,590	7,513

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21. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	99,416	42,852
Payroll and welfare payable	20,967	14,170
Other tax payables	5,636	4,851
Commissions and other payables to intermediary agents	9,664	7,992
Payables for acquisition of property, plant and equipment	3,676	2,039
Others	4,149	3,544
	143,508	75,448

The Group normally receives credit terms of 30 to 90 days from its suppliers. The following is an aging analysis of trade payables at the end of the reporting period based on invoice date:

	2017 HK$'000	2016 HK$'000
0 to 30 days	36,707	16,974
31 to 60 days	41,521	19,264
61 to 90 days	17,772	5,159
Over 90 days	3,416	1,455
	99,416	42,852

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

	2017 HK$'000	2016 HK$'000
RMB	3	–
US$	2,452	7,638
CHF	38	11

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22. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank borrowings	**74,821**	110,739
Secured	**31,071**	52,989
Unsecured	**43,750**	57,750
	74,821	110,739
The bank borrowings are repayable (note):		
Within one year	–	7,000
More than one year but not exceeding two years	–	7,000
More than two years but not exceeding five years	–	15,750
	–	29,750
Carrying amount of bank borrowings that contains a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**22,571**	28,918
More than one year but not exceeding two years	**22,571**	15,571
More than two years but not exceeding five years	**29,679**	36,500
	74,821	80,989
	74,821	110,739
Less: Amount due within one year shown under current liabilities	**(74,821)**	(87,989)
Amount due after one year	–	22,750

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

The bank borrowings at 31 December 2017 carried variable interests at 3.25% over 1-month Hong Kong Interbank Offered Rate ("HIBOR") and the bank borrowings at 31 December 2016 carried variable interests at 1.00% to 3.25% over 1-month HIBOR and 2.5% over The People's Bank of China Standard Loan Interest Rate.

At 31 December 2017, the range of effective interest rates on the variable rate bank borrowings are 1.47% to 4.3% (2016: 1.4% to 6.3%) per annum.

At 31 December 2017, the Group has pledged its buildings, land use rights and deposit and prepayment for a life insurance policy with an aggregated carrying value of HK$50,888,000 (2016: HK$49,888,000) to secure general banking facilities granted to the Group. Details of these pledged assets are disclosed in the respective notes.

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23. DEFERRED TAXATION

At 31 December 2017, the Group had unused tax losses of HK$26,530,000 (2016: HK$26,436,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. The unrecognised tax losses of HK$17,424,000 (2016: HK$14,846,000) may be carried forward indefinitely and the remaining balances of HK$9,106,000 (2016: HK$11,590,000) will expire up to 2022 (2016: up to 2021).

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in respect of temporary differences attributable to retained profits of subsidiaries in PRC amounting to HK$245,805,000 (2016: HK$218,370,000) at 31 December 2017, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

24. SHARE CAPITAL

	2017 & 2016 HK$'000
Authorised:	
4,000,000,000 ordinary shares of HK$0.1 each	400,000
Issued and fully paid:	
500,000,000 ordinary shares of HK$0.1 each	50,000

There was no change in the Company's authorised, issued and fully paid share capital in both years.

25. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**492**	436
In the second to fifth year inclusive	**817**	879
After five years	**6,173**	6,416
	7,482	7,731

Operating lease payments mainly represent rentals for certain of its office properties and staff quarters. Leases are negotiated and rentals are fixed for lease terms ranging from 1 year to 50 years.

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26. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	25,774	10,346

27. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and each employee makes monthly mandatory contributions of 5% of relevant payroll costs with monthly cap of HK$1,500 to the scheme.

The employees of the Group's subsidiaries in PRC are members of a state-managed retirement benefits plan operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits plan is to make the specified contributions.

No forfeited contributions are available to reduce the contribution payable in future years.

28. SHARE OPTION SCHEME

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to a resolution passed on 25 June 2011. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants, including directors, officers, employees and consultants of any member of the Group, to (i) encourage them to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole, (ii) retain, incentivise, reward, remunerate, compensate and/or provide benefits to eligible participants.

The directors of the Company may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall be 50,000,000 shares, representing 10 per cent of the Company's total issued share capital as at the time dealings in the shares of the Company first commence on the Stock Exchange.

The Share Option Scheme will remain in force for a period of ten years from its adoption date.

The amount payable upon acceptance of an option is HK$1. The subscription price for shares on the exercise of the options shall be no less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

During the year ended 31 December 2017 and 2016, no options were granted or outstanding under the Share Option Scheme.

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29. RELATED PARTY TRANSACTIONS

(i) In addition to transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions during the year:

	2017 **HK$'000**	2016 HK$'000
Management and administrative service fee received from Ming Fung (Holdings) Limited, a company controlled by Mr. Yiu	**252**	252
Rental expenses fee paid to Mr. Yiu	**723**	676

(ii) Remuneration paid for key management personnel, who are the directors and the chief executive of the Company, is disclosed in note 10.

The remuneration of key management personnel is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

30. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through the payment of dividends, new share issues of the Company as well as the raising of bank loans.

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31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Loans and receivables (including cash and cash equivalents)	347,782	275,218
Financial liabilities		
Amortised cost	208,729	177,878

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, deposit and prepayment for a life insurance policy, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

As at 31 December 2017, the Group has concentration of credit risk on trade receivables as 29% (2016: 21%) and 76% (2016: 76%) of the trade receivables were due from the Group's largest customer and the five largest customers, respectively.

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

The credit risk on bank balances is limited as such amounts are deposited in banks with good reputation and with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on trade receivables and bank balances which are deposited with several banks with high credit rating, the Group does not have any other significant concentration of credit risk.

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. During the year ended 31 December 2017, about 3% (2016: 23%) of the Group's sales and about 13% (2016: 8%) of the Group's purchases are denominated in currencies other than the functional currencies of the group entities.

The carrying amounts of the foreign currency denominated monetary assets and liabilities (including trade and other receivables, deposit and prepayment for a life insurance, bank balances and cash and trade and other payables) at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
RMB	**18,155**	2,707	**3**	–
CHF	**2,950**	7,622	**38**	11
US$	**37,599**	85,683	**2,452**	7,638

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The Group mainly exposes to RMB, US$ and CHF, which are arising from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities in Hong Kong and PRC. The following table details the Group's sensitivity to a 5% (2016: 3%) increase and decrease in the functional currencies of the group entities against the relevant foreign currencies. Under the linked exchange rate system, the financial impact on exchange difference between HK$ and US$ will be immaterial and therefore no sensitivity analysis has been presented. 5% (2016: 3%) is the sensitivity rate used when the management assesses the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 3%) change in the foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit after taxation where the functional currencies of each group entity strengthens 5% (2016: 3%) against the relevant foreign currencies. For a 5% (2016: 3%) weakening of the functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit after taxation.

	2017 HK$'000	2016 HK$'000
RMB	**(758)**	(68)
CHF	**(122)**	(191)

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

For the year ended 31 December 2017

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to interest bearing bank balances and bank borrowings at variable interest rates. The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and the People's Bank of China Standard Loan Interest Rate. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank borrowings at variable interest rates at the end of each reporting period and assumed that the said bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. 50 basis points (2016: 50 basis points) increase represents management's assessment of the reasonably possible change in interest rates. The management does not anticipate a decrease in interest rate in the next financial year having regard to the trends in Hong Kong dollar prime rate, HIBOR and The People's Bank of China Standard Loan Interest Rate. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

No sensitivity analysis is presented for bank balances as the directors of the Company considered the Group's exposure to cash flow interest rate risk is not material.

If interest rates on bank borrowings at variable interest rates had been 50 basis points (2016: 50 basis points) higher and all other variables were held constant, the potential effect on profit after taxation is as follows:

	2017 **HK$'000**	2016 HK$'000
Decrease in profit after taxation	**312**	462

Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short and medium-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities and ensures compliance with loan covenants.

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

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) ***Interest rate risk*** *(Continued)*

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or less than 3 months HK$'000	Over 3 months but less than 1 year HK$'000	Over 1 year but less than 2 years HK$'000	Over 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2017							
Trade and other payables	–	133,908	–	–	–	133,908	133,908
Bank borrowings	3.63	74,821	–	–	–	74,821	74,821
		208,729	–	–	–	208,729	208,729
At 31 December 2016							
Trade and other payables	–	67,139	–	–	–	67,139	67,139
Bank borrowings	3.68	83,007	5,966	7,728	16,461	113,162	110,739
		150,146	5,966	7,728	16,461	180,301	177,878

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2017, the aggregate carrying amounts of these bank loans amounted to HK$74,821,000 (2016: HK$80,989,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid within four years (2016: five years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements and the aggregate principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Less than 3 months HK$'000	Over 3 months but less than 1 year HK$'000	Over 1 year but less than 2 years HK$'000	Over 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2017	6,396	18,872	24,350	30,655	80,273	74,821
At 31 December 2016	11,779	19,673	17,244	38,243	86,939	80,989

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

For the year ended 31 December 2017

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Interests in subsidiaries	306,922	305,981
Current assets		
Prepayments	164	160
Amounts due from subsidiaries	2,443	730
Bank balances and cash	24,459	21,835
	27,066	22,725
Current liabilities		
Other payables	1,357	1,618
Amounts due to subsidiaries	5	3,052
	1,362	4,670
Net current assets	25,704	18,055
Net assets	332,626	324,036
Capital and reserves		
Share capital	50,000	50,000
Reserves	282,626	274,036
Total equity	332,626	324,036

Movement of reserves

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2016	213,244	91,674	304,918
Loss and total comprehensive expense for the year	–	(2,882)	(2,882)
Dividends paid (note 13)	–	(28,000)	(28,000)
At 31 December 2016	213,244	60,792	274,036
Profit and total comprehensive income for the year	–	58,590	58,590
Dividends paid (note 13)	–	(50,000)	(50,000)
At 31 December 2017	213,244	69,382	282,626

For the year ended 31 December 2017

33. PRINCIPAL SUBSIDIARIES

Details of principal subsidiaries indirectly held by the Company at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 2017	2016	Principal activities
Winox Enterprise Company Limited	Hong Kong	Ordinary capital HK$60,000,000	100%	100%	Investment holding and trading of stainless steel products
Winox Management Limited	Hong Kong	Ordinary capital HK$1	100%	100%	Provision of management and administration service
Max Surplus Corporation Limited	Hong Kong	Ordinary capital HK$1	100%	100%	Investment holding and trading of stainless steel products
盈利時銈業(東莞)有限公司*	PRC	Registered capital HK$127,900,000 Paid-up capital HK$127,900,000	100%	100%	Manufacture and trading of stainless steel products
惠州豐采貴金屬製造有限公司*	PRC	Registered capital HK$140,000,000 Paid-up capital HK$140,000,000	100%	100%	Manufacture and trading of stainless steel products
博羅明豐廚具製造有限公司*	PRC	Registered capital RMB80,000,000 Paid-up capital RMB73,830,798	100%	100%	Property holding
盛豐精密製造(惠州)有限公司*	PRC	Registered capital HK$17,500,000 Paid-up capital HK$17,500,000	100%	100%	Manufacture and trading of stainless steel products

* The company was established as a wholly foreign owned enterprise.

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

None of the subsidiaries had issued any debt securities at 31 December 2017 or at any time during the year.

For the year ended 31 December 2017

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$'000	Interest payable HK$'000	Dividend payable HK$'000	Total HK$'000
At 1 January 2017	110,739	–	–	110,739
Financing cash flows (note)	(36,040)	(3,489)	(50,000)	(89,529)
Interest expenses	–	3,489	–	3,489
Dividend declared	–	–	50,000	50,000
Currency realignment	122	–	–	122
At 31 December 2017	74,821	–	–	74,821

Note: The cash flows represent the repayment of bank borrowings, interest paid and dividend paid to shareholders of the Company in the consolidated statement of cash flows.

Five-Year Financial Summary

RESULTS

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Turnover	546,218	543,666	720,921	574,318	**891,446**
Profit before taxation	56,979	57,686	99,908	59,023	**140,062**
Taxation	(10,653)	(12,016)	(19,176)	(10,319)	**(23,627)**
Profit for the year	46,326	45,670	80,732	48,704	**116,435**

ASSETS AND LIABILITIES

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Total assets	692,306	738,036	764,905	739,045	**890,449**
Total liabilities	(181,738)	(208,623)	(205,457)	(191,372)	**(239,552)**
Total equity	510,568	529,413	559,448	547,673	**650,897**