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BEST FOOD HOLDING COMPANY LIMITED
百福控股有限公司

(Formerly known as Lee & Man Handbags Holding Limited 理文手袋集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1488)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHTLIGHTS

— Revenue of HK$560 million for the year, decreased by 15.05% as compared to last year.

— Net profit of HK$17.23 million for the year, increased by 72.05% as compared to last year.

— Gross profit margin of 30.98% for the year.

— Net profit margin of 3.08% for the year.

— Earnings per share of HK1.92 cents for the year.

FINANCIAL RESULTS

The board of directors (the "Directors") of Best Food Holding Company Limited (formerly known as "Lee & Man Handbags Holding Limited") (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

COMMENTARY

Overall Review

For the year ended 31 December 2016, the Group recorded revenue of HK$560 million, decreased by about 15.05% as compared to last year; and a net profit for the year of about HK$17.23 million, increased by around 72.05% as compared to last year.

For the year ended 31 December 2016, for the food and beverage investment business management sector, the total sales of invested subsidiaries and associates amount to HK$510 million, increased by about 25%. The sales attributed to Best Food amounts to HK$63 million as we invested at the end of October and only the sales of two months is consolidated.

For the year ended 31 December 2016, the manufacturing and sales of handbags sector recorded revenue of HK$496 million, representing a decrease of 24.7%, as compared to HK$659 million to last year.

The Food and Beverage Investment Business Management Sector

Strategic planning

During the past few years, we are pleased to see that consumption has become the biggest driver of growth of China's economy. After 2010, consumption as a percentage of GDP has been continually increasing. In 2016, consumption accounted for more than 55% of GDP, contributing more than 70% of the GDP growth rate. The national food and beverage revenue reached RMB 3.58 trillion in 2016, with year-over-year growth more than 10%. Thanks to its huge volume and steady increase, the food and beverage industry is playing a decisive role in supporting overall economic growth in China.

Meanwhile, China's food and beverage industry has undergone tremendous and profound changes in market demand and supply.

In view of demand, we observed that the change in lifestyle and increase in eating out in China were fueled by growth in urbanization. As post-80 and post-90 generations gradually become the mainstream consumers, consumption upgrading and tremendous shifts in consumer mix were unfolded rapidly. The changes in demand side herald that chain catering brands with the ability to provide convenience, safety, health and fashion sense will probably stand out in the near future.

In view of market supply, different aspects in the value chain of the industry evolve quickly through scale and segmentation. The supply chain in the upstream of the catering industry is gradually improving. There are increasing emerging brands with revolutionary innovations in product types, business models and marketing that operate restaurant chains. Online food distribution channels now receive popularity. However, for historical reasons, most of Chinese chain F&B brands are still in small and scattered status. Some excellent fast food and casual dining enterprises are faced with tremendous insufficiencies of capital and resource integration capabilities in their course of seeking breakthrough. At this moment, sustainable investments from organizations with capital operation, investment management and resource integration capabilities will play a crucial part in rapid rise of Chinese chain F&B brands.

Based on the above judgments and the accumulative investment expertise in consumer sectors in the past 10 years, Hony Capital decided to invest in the Company, upon which a platform will be built as the core objective. Hony Capital has invested HK$1,500 million through the subscription of convertible bonds issued by the Company and will build a leading multi-branding restaurant chain investment and management company in China with worldwide influence, through long term and continuous investments.

Enterprise value realization method

The Company will achieve the continuous value-based growth by this two-wheel drive, through investments and post-investment management.

From investment perspective, with its extensive connections and ample pipelines established in the industry, the Company will strategically invest in both upstream and downstream business in the industry value chain, establishing its own "eco-chain" in the industry. At the same time, by leveraging Hony Capital's years of practical experience and systematic investment decision making process, the management team of the Company is competent to create an industrial database, thus developing an agile investment decision making process and facilitating efficient investment execution. By virtue of investment practice, the Company has established favorable reputations and significant influences in the food and beverage industry and food and beverage investment industry.

From post-investment management perspective, the Company will build an elite professional management team. On one hand, through innovative thoughts, the Company has established an entrepreneur club where seminars and business visits will be regularly organized. By interactions and sharing, resources of portfolio companies will be fully utilized. On the other hand, focusing on key areas of value creation process and resources integration, the Company aims at building its capabilities in value-added services in marketing, supply chain management, internet based online platform, off-line sales network development and team building.

In sum, the Company will achieve value creation through both external growth and organic growth. On one hand, the Company will carry on business as a holding company or hold interests in investee companies to achieve external growth. On the other hand, organic growth will be achieved through scale up and new store openings of invested brands.

In terms of external growth, the Company will acquire majority shares of large scale chain stores which have sufficiently large scale and stable profitability. At the same time, the Company will hold minority interests in high growth and emerging brands, the increase in profitability and valuation of which will be picked up by the listed company. Joint-stock brands can incorporate into listed companies or operate separate listing later through share swap to enlarge revenue and profits for listed companies and form a larger community of interests.

In terms of organic growth, with its expertise in collaboration in marketing, supply chain management, internet based online platform, off-line sales network development and team building, the Company has the ability to accelerate the speed, as well as boost the chance of success, in new stores openings. In addition, through upgrading enterprise resources planning system and internet system, operation efficiency of portfolio companies will be enhanced, thus facilitating increase in same store sales growth. In the aspect of business model selection of chain restaurant brands, the Company will focus on fast-food and casual dining with the potential of easy standardization and quick duplication. Meanwhile, the Company will also actively seek relevant investment opportunities along the value chain of catering industry.

Business development

The establishment of management platform

Base on the above strategy, the Company changed the English name of the Company from "Lee & Man Handbags Holding Limited" to "Best Food Holding Company Limited" and the Chinese name of the Company from "理文手袋集團有限公司" to "百福控股有限公司" in December 2016.

From August 2016 to December 2016, the Company took fast-paced actions and finished the assembling of new management team, the acquisition of the majority share of Beijing HHG Restaurant Management Co., Ltd* (北京和合谷餐飲管理有限公司) ("HHG"), and the minority interest investment in Guangzhou Yujian Xiaomian Restaurant Management Co., Ltd* (廣州遇見小面餐飲管理有限公司) ("Xiaomian") and Qidian Tongzhou Restaurant Management (Beijing) Co., Ltd* (奇點同舟餐飲管理(北京)有限公司) ("Tongzhou"), after which the basic framework and foundation of the investment and management platform of the Company has been thus established.

HHG Investment

From August 2016 to March 2017, Delightful Year Holdings Limited ("Delightful Year"), a wholly owned subsidiary of the Company incorporated in Hong Kong, held a majority interest of HHG.

Restaurant network: HHG is principally engaged in Chinese fast food restaurants chain business under the "Hehegu" brand in the PRC. After years of effort of the management team, "Hehegu" have become the leading Chinese fast food brand in Beijing. With more than 90 directly owned stores and 14 franchised stores in Beijing, Tianjin and Hebei province (compared with 81 directly owned stores and 16 franchised stores in 2015), HHG has a well-established fast food business operation concept and potential for development, HHG plans expand its store network drastically in 2017, and continue to enhance its market position and strengthen its business in Beijing and Northern China.

Sales growth: HHG continuously enhances operation service standards and efficiency. Matching with brand marketing and integration of online and offline marketing channels, including Wechat, Alipay and other payment ways, it joins forces with online leading take-out websites and launches varieties of sales activities. In addition, by means of optimizing menus, launching new products, adjusting dish structures, reviewing pricing strategy, and improving dining environment, HHG is devoted to promoting the comprehensive experience for customers. For the year ended 31 December 2016, despite a weak market, HHG recorded revenue of RMB342 million, increased by 6% as compared to last year. In 2016, seat turnover rate of HHG achieved 7, with average spending per customer of RMB33.

Same-store sales growth: In 2016, HHG achieved a same store sales growth rate of 3.3% and maintained a high level of same-store growth rate. In 2017, HHG will upgrade and optimize brand image again. Based on reinforcing advantages for breakfast hours, it aims at improving efficiency during rush hours for lunch and dinner so as to enhance business performance. Through establishing the customer relationship management platform, HHG advances precision marketing, and further strengthens customer relationships.

Supply chain management: Adhering to strict quality standards for the procurement of raw materials and equipped with a central kitchen for a unified processing and production, HHG will build a new central kitchen in Baodi, Tianjing to further improve the efficiency of processing and production, and guarantee food security.

Attached is the statement profit or loss of HHG for the year end of December 31, 2016. The net profit of January to October is not audited while that of November and December, which included in the scope of consolidation, has been audited by Pricewaterhousecoopers Beijing office.

STATEMENT OF PROFIT OR LOSS OF HHG
For the year ended 31 December 2016

	2016/01–2016/10 *HK$'000*	2016/11-2016/12 *HK$'000*	**2016** ***HK$'000***
Sales	339,406	63,377	**402,262**
Cost of sales	(150,403)	(21,206)	**(171,227)**
Staff and rental expense	(116,789)	(23,276)	**(139,917)**
Selling and marketing costs	(35,474)	(8,888)	**(44,357)**
Administrative expenses	(26,402)	(5,286)	**(31,656)**
Other income	2,234	910	**3,151**
Operating profit	12,572	5,631	**18,256**
Finance costs	(596)	(36)	**(630)**
Profit before income tax	11,976	5,595	**17,626**
Income tax expenses	(3,612)	(1,895)	**(5,528)**
Profit for the years/periods	8,364	3,700	**12,098**

* The difference of the accumulation of net profit of January to October and that of November and December with the net profit of the whole year is caused by exchange rate fluctuation.

Xiaomian Investment

On December 31, 2016, the Company completed the capital increase of Guangzhou Yujian Xiaomian Restaurant Management Co., Ltd* (廣州遇見小麵餐飲管理有限公司) ("Xiaomian"). Xiaomian owns the "Xiaomian" brand and it is a flagship Sichuan and Chongqing flavor noodle chain established in Guangzhou in 2014 with Chongqing noodles as its selling product. The founding team of the "Xiaomian" brand graduated from The Hong Kong University of Science and Technology and started its entrepreneurship in the Chinese fast food industry.

For the year ended 31 December 2016, Xiaomian recorded revenue of RMB26.9 million, increased by 274 % as compared to last year, and operates 10 stores in Guangzhou. In 2016, Xiaomian achieved seat turnover rate of 7, with average spending per customer of RMB30.

TongZhou Investment

On November 30, 2016, the Company completed the capital increase and share transfer of Qidian Tongzhou Restaurant Management (Beijing) Co., Ltd* (奇點同舟餐飲管理(北京)有限公司) ("Tongzhou"). Tongzhou owns the "West Master" brand and it is a flagship Chinese fast food chain established in Beijing in 2014 with Chinese bun as its selling product. The founding team of the "West Master" brand came from the world's leading Internet companies, namely Baidu and Tencent. The team has strong expertise in online marketing.

For the year ended 31 December 2016, Tongzhou recorded revenue of RMB64.7 million, increased by 190 % as compared to last year, and operates 15 stores in Beijing. In 2016, Tongzhou achieved a same store sales growth rate of 28%, with average spending per customer of RMB30. The average sales per square meter of West Master in 2016 is more than RMB4,000, significantly higher than that of similar brands.

Yu Yang Mei Chu Investment

On March 4, 2017, the Company entered into a capital increase agreement with the existing shareholders of Shenzhen Yu Yang Mei Chu Internet Technologies LLC* (深圳魚羊美廚網絡科技有限公司) ("Yu Yang Mei Chu"). Yu Yang Mei Chu owns the "Sexy Salad" brand, which is a fast growing brand of salad category in the Chinese catering industry and became one of the salad representative brands in the South China area within two years since the brand was established. The founder of the "Sexy Salad" brand graduated from Sun Yat-sen University, and the core founding team members are entrepreneurs who came from leading consumer goods companies such as Procter & Gamble and Okamoto.

For the year ended 31 December 2016, Yu Yang Mei Chu recorded revenue of RMB22.6 million, increased by 296% as compared to last year, and operates 4 stores in Guangzhou and Shenzhen. In 2016, Yu Yang Mei Chu achieved a same store sales growth rate of 19 %, with average spending per customer of RMB85. Among total sales, the portion of takeaway amounts to more than 50%, the high consumer loyalty offers Yu Yang Mei Chu more flexibility for its store styles and location options.

In 2016, the Company started its first step towards great-leap-forward development. We firmly believe that with the efforts of the management and the supports from the shareholders, the Company will be the unique multi-brand catering group in Hong Kong capital market in the near future.

Manufacturing and Sales of Handbags

For the year ended 31 December 2016, the manufacturing and sales of handbags sector recorded revenue of HK$496 million, representing a decrease of 24.7%, as compared to HK$659 million last year. The recorded revenue decreased significantly mainly due to the manufacturers from other South-East Asia countries such as Philippines and Vietnam exporting the products with more competitive prices, which imposed serious pressure on sales order price. In order to increase the competitiveners in the market, the Company began to build a new plant in Myanmar in the end of 2015, and is almost ready for use. The operation of the new plant will reduce the overall production cost of the manufacturing and sales of handbag section, thus enhancing the ability to accept orders.

FINANCIAL RESULTS

The audited consolidated results of the Group for the year ended 31 December 2016 together with comparative figures for the year ended 31 December 2015 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Revenue	*3*	**559,632**	658,797
Cost of sales		**(386,250)**	(465,284)
Gross profit		**173,382**	193,513
Other income		**8,176**	4,000
Other gains and losses	*4*	**41,655**	(565)
Distribution and selling expense		**(60,195)**	(58,015)
General and administrative expenses		**(132,424)**	(121,686)
Share of loss of associates		**(224)**	—
Finance costs		**(6,565)**	(1,724)
Profit before taxation		**23,805**	15,523
Income tax expense	*5*	**(6,578)**	(5,510)
Profit for the year	*6*	**17,227**	10,013
Profit for the year attributable to:			
Owners of the Company		**15,868**	10,013
Non-controlling interests		**1,359**	—
		17,227	10,013

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit assets		**403**	280
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(8,758)**	(1,976)
Other comprehensive expense for the year		**(8,355)**	(1,696)
Total comprehensive income for the year		**8,872**	8,317
Total comprehensive income for the year attributable to:			
Owners of the Company		**8,784**	8,317
Non-controlling interests		**88**	—
		8,872	8,317
Earnings per share (HK cents) — Basic	*8*	**1.92**	1.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**111,582**	61,863
Prepaid lease payments		**52,943**	33,856
Investment properties		**36,414**	29,816
Interests in associates		**95,800**	—
Goodwill		**51,699**	—
Intangible assets		**101,357**	—
Derivative financial instrument		**7,020**	—
Other receivable from a former subsidiary		**17,854**	—
Other asset		**395**	395
Deferred tax assets		**17,123**	2,921
Deposits paid for the acquisition of property, plant and equipment		**7,674**	2,354
Rental and utility deposits		**11,710**	—
Defined benefit assets		**5,138**	4,697
Prepayment for equity investments		**6,304**	—
		523,013	135,902
CURRENT ASSETS			
Inventories	*9*	**70,428**	73,508
Prepaid lease payments		**1,329**	864
Trade and other receivables	*10*	**90,639**	99,202
Amount due from an associate		**324**	—
Tax recoverable		**1,226**	907
Other financial assets		**17,045**	—
Bank balances and cash		**123,028**	308,576
		304,019	483,057

	Notes	**2016** HK$'000	2015 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*11*	**174,576**	69,954
Amount due to a related party		**1,083**	1,371
Amount due to a related company		**151**	152
Derivative financial instruments		**—**	1,284
Tax payable		**9,487**	2,053
		185,297	74,814
NET CURRENT ASSETS		**118,722**	408,243
TOTAL ASSETS LESS CURRENT LIABILITIES		**641,735**	544,145
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**24,773**	—
Deferred government grants		**1,783**	—
Loan from a related party		**260,000**	260,000
		286,556	260,000
NET ASSETS		**355,179**	284,145
CAPITAL AND RESERVES			
Share capital		**82,500**	82,500
Reserves		**217,449**	201,645
Equity attributable to owners of the Company		**299,949**	284,145
Non-controlling interests		**55,230**	—
		355,179	284,145

Notes:

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands under the Companies Law (Revised) Chapter 22 of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong. Its parent company is Sonic Tycoon Limited, a company incorporated in British Virgin Islands and its ultimate holding company is Exponential Fortune Group Limited ("Exponential Fortune"), a company incorporated in Cayman Islands. The ultimate controlling shareholder of Exponential Fortune is Zhao John Huan, who is also the Chairman of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" of the annual report.

The Company changes its name from "Lee & Man Handbags Holding Limited" to "Best Food Holding Company Limited" and adopted the Chinese name of "百福控股有限公司" as the secondary name to replace "理文手袋集團有限公司" which has been used for identification purpose only. The change of name was approved by the shareholders at the Extraordinary General Meeting and has become effective from 6 December 2016.

The Company acts as an investment holding company. The Group is principally engaged in the manufacturing and sales of handbags sector, and the food and beverage investment business management sector.

The functional currency of the Company is United States dollars, while the consolidated financial statements are presented in Hong Kong dollars as the Company is listed in Hong Kong.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of the new and revised HKFRSs will have a material effect on the amounts recognised in the Group's consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs 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]
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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

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 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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 requirements of HKFRS 9 that are relevant to the Group are:

- 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. 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

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 and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the 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 and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$220,332,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

In the opinion of the directors, the application of these amendments will not result in any impact on the financial performance or financial position of the Group in these consolidated financial statements, except for the disclosure of changes arising from obtaining or losing control of subsidiaries or other businesses.

Except as described above, the directors of the Company anticipated that the application of other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments under HKFRS 8 Operating Segments, based on information reported to the Company's executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance, which focuses on types of goods or services delivered or provided.

During the year ended 31 December 2016, the Group has acquired new business of food and beverage. The food and beverage investment business management sector forms a new operating segment during the year ended 31 December 2016 for the segment reporting purpose to the CODM. The Group's operating and reportable segments under HKFRS 8 — Operating Segments are as follows:

(i) Manufacturing and sales of handbags; and

(ii) Food and beverage investment business management.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

Year ended 31 December 2016

	Manufacturing and sales of handbags *HK$'000*	Food and beverage investment business management *HK$'000*	Consolidated *HK$'000*
Segment revenue — external	496,255	63,377	559,632
Segment (loss) profit	(6,405)	5,229	(1,176)
Change on fair value of:			
— investment properties			6,404
— derivative financial instruments			(40)
Share of loss of an associate			(224)
Gain on disposal of subsidiaries			33,389
Unallocated income			2,142
Unallocated expenses			(10,125)
Finance costs			(6,565)
Profit before taxation			23,805

Year ended 31 December 2015

	Manufacturing and sales of handbags *HK$'000*	Food and beverage investment business management *HK$'000*	Consolidated *HK$'000*
Segment revenue — external	658,797	—	658,797
Segment profit	19,497	—	19,497
Change on fair value of:			
— investment properties			538
— derivative financial instruments			(1,284)
Unallocated expenses			(1,504)
Finance costs			(1,724)
Profit before taxation			15,523

Segment profit represents the profit earned by/loss from each segment without allocation of change on fair value of investment properties/derivative financial instruments, share of loss of associates, gain on disposal of subsidiaries, unallocated income, unallocated expenses and financial costs. This is the measure reported to the CODM for the purpose of resources allocations and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31 December 2016

	Manufacturing and sales of handbags	**Food and beverage investment business management**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	302,016	299,966	601,982
Unallocated assets			225,050
Consolidated total assets			827,032
Segment liabilities	51,420	127,237	178,657
Unallocated liabilities			293,196
Consolidated total liabilities			471,853

As at 31 December 2015

	Manufacturing and sales of handbags	**Food and beverage investment business management**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	350,447	—	350,447
Unallocated assets			268,512
Consolidated total assets			618,959
Segment liabilities	72,003	—	72,003
Unallocated liabilities			262,811
Consolidated total liabilities			334,814

For the purpose of monitoring segment performance and allocating resources between segments.

- all assets, other than investment properties, interests in associates, derivative financial instrument, other financial assets, other receivable from a former subsidiary and assets of the investment holding companies, are allocated to reportable and operating segments; and

- all liabilities, other than derivative financial instruments and liabilities of the investment holding companies, are allocated to reportable and operating segments.

Other segment information

	Manufacturing and sales of handbags	**Food and beverage investment business management**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
2016			
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets *(note)*	66,129	4,086	70,215
Depreciation of property, plant and equipment	16,260	3,140	19,400
Loss (gain) on disposal of property, plant and equipment	2,527	(4)	2,523
Release of prepaid lease payments	1,347	—	1,347

	Manufacturing and sales of handbags	**Food and beverage investment business management**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
2015			
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets *(note)*	29,295	—	29,295
Depreciation of property, plant and equipment	14,322	—	14,322
Gain on disposal of property, plant and equipment	(65)	—	(65)
Release of prepaid lease payments	622	—	622

Note: Amounts included additions to property, plant and equipment, prepaid lease payments and deposits paid for acquisition of property, plant and equipment.

No other amounts are regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets.

Geographical Information

Information about the Group's non-current assets, other than derivative financial instrument, defined benefit assets and deferred tax assets is presented based on the geographical location of the assets.

	Non-current assets	
	2016	2015
	HK$'000	*HK$'000*
The People's Republic of China (the "PRC")	**377,909**	77,871
Thailand	**36,414**	29,816
Myanmar	**79,409**	20,597
	493,732	128,284

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

	Revenue from external customers	
	2016	2015
	HK$'000	*HK$'000*
The United States of America	**182,689**	279,651
The PRC	**92,588**	37,187
Other Asian countries	**64,798**	92,983
Italy	**55,681**	59,397
Hong Kong	**42,660**	30,835
Canada	**41,739**	43,589
The Netherlands	**28,156**	53,311
Other European countries	**24,656**	35,330
The United Kingdom	**9,647**	13,491
Germany	**9,176**	12,982
South American countries	**6,333**	41
The Middle East and Africa	**1,509**	—
	559,632	658,797

4. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Net exchange gain	**4,425**	116
Loss on fair value changes on derivative financial instruments	**(40)**	(1,284)
(Loss) gain on disposal of property, plant and equipment	**(2,523)**	65
Gain on fair value changes of investment properties	**6,404**	538
Gain on disposal of subsidiaries	**33,389**	—
	41,655	(565)

5. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**4,638**	4,596
PRC Enterprise Income Tax ("EIT")	**3,057**	1,753
	7,695	6,349
Under (over)provision in prior year:		
Hong Kong Profits Tax	**461**	(38)
PRC EIT	**(2)**	—
Deferred tax:		
Current year	**(1,576)**	(801)
	6,578	5,510

Hong Kong

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

PRC

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Myanmar

The Myanmar subsidiary is entitled to five years' exemption from Myanmar Corporation Income Tax since the year of incorporation (i.e. 2015).

6. PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**2,133**	3,204
Staff salaries and other benefits, excluding those of directors	**215,395**	237,927
Contributions to retirement benefit schemes, excluding those of directors	**2,140**	1,574
Total employee benefit expenses	**219,668**	242,705
Capitalised in inventories	**(2,632)**	(3,474)
	217,036	239,231
Cost of inventories recognised as expenses (including reversal of write-down of inventories of HK$nil (2015: HK$3,524,000))	**362,974**	465,284
Depreciation of property, plant and equipment	**19,400**	14,322
Capitalised in inventories	**(125)**	(179)
	19,275	14,143
Auditors' remuneration		
— Audit services	**2,492**	1,000
— Non-audit services	**616**	75
Release of prepaid lease payments	**1,347**	622
Amortisation of intangible assets	**169**	—
Inputed interest income on other receivable due from a former subsidiary	**(141)**	—
Interest income on bank balances	**(148)**	(79)

7. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
Final dividend of HK1.0 cent per share for the year ended 31 December 2014	**—**	8,250

The board of directors of the Company has determined not to declare final dividend for the year ended 31 December 2016 (2015:nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK$15,868,000 (2015: HK$10,013,000) and 825,000,000 (2015: 825,000,000) shares.

Diluted earnings per share is not presented because there were no dilutive ordinary shares in issue during both years.

9. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials	**41,514**	29,337
Work in progress	**13,285**	31,554
Finished goods	**15,629**	12,617
	70,428	73,508

10. TRADE AND OTHER RECEIVABLES

The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	2016	2015
	HK$'000	*HK$'000*
Not exceeding 30 days	**30,255**	57,150
31–60 days	**18,866**	13,585
61–90 days	**3,119**	8,942
Over 90 days	**6,189**	123
	58,429	79,800
Prepayments and deposits	**19,909**	12,628
Other receivables	**12,301**	6,774
	90,639	99,202

11. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period obtained for trade purchases is 7 to 60 days.

	2016	2015
	HK$'000	*HK$'000*
Trade and bills payable aged:		
Not exceeding 30 days	**37,054**	23,946
31–60 days	**2,776**	6,840
61–90 days	**612**	4,145
Over 90 days	**1,001**	1,382
	41,443	36,313
Other payables	**56,997**	4,842
Accrued salaries	**34,015**	17,587
Accrued bonus	**1,999**	4,481
Other accrued expenses	**13,192**	6,731
Consideration payable for acquisition of subsidiaries	**26,930**	—
	174,576	69,954

FINAL DIVIDEND

The board of directors of the Company has determined not to declare final dividend for the year ended 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

The annual general meeting (the "AGM") of the Company is scheduled to be held on 26 May 2017. For ascertaining shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from 23 May 2017 to 26 May 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 22 May 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 31 December 2016 was HK$300 million (31.12.2015: HK$284 million). As at 31 December 2016, the Group had current assets of HK$304 million (31.12.2015: HK$483 million) and current liabilities of HK$185 million (31.12.2015: HK$75 million). The current ratio was 1.64 as at 31 December 2016 as compared to 6.46 as at 31 December 2015.

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong. As at 31 December 2016 and 31 December 2015, the Group had no outstanding bank borrowings. As at 31 December 2016, the Group maintained bank balances and cash of HK$123 million (31.12.2015: HK$309 million). The Group's net cash-to-equity ratio (cash and cash equivalents net of total borrowings over shareholders' equity) was –0.39 as at 31 December 2016 (31.12.2015: 0.17).

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of the property, plant and equipment improvement in amount of HK$8.79 million.

HUMAN RESOURCES

At 31 December 2016, the Group had a workforce of about 4,000 people (Food and beverage investment business management: 1,500 people, Manufacturing and sales of handbags: 2,500 people). The Group maintains a good relationship with its employees, and provides them with proper training and competitive compensation and incentives. The staffs are remunerated based on their work performance, professional experience and prevailing market situation. Remuneration packages comprise salary and bonuses based on individual merits.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016 except where stated and explained below.

Mr. Zhao John Huan is the chairman and the chief executive officer of the Company. He oversees and manages the Group's business as the chairman with the assistance of the Group's senior management team. Other functions normally undertaken by a chief executive officer of the company are delegated to members of the Group's senior management team. This structure deviates from the code provision of Code that requires the roles of the chairman and the chief executive officer to be separate and not performed by the same individual. The Directors has considered this matter carefully and decided not to adopt the provision. The Directors believe that the current management structure has been effective in facilitating the operation and development of the Group and its business for a considerable period of time and that the necessary checks and balances consistent with sound corporate governance practices are in place. Accordingly, the Directors do not envisage the Group should change its current management structure. However, the Directors will review the management structure from time to time to ensure it continues to meet these objectives.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the result of the Group for the year ended 31 December 2016 and have discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 26 May 2017. The Notice of the Annual General Meeting will be published in the company's website and sent to the shareholders of the Company in due course.

On behalf of the Board
Zhao John Huan
Chairman

Hong Kong, 28 March 2017

As at the date of this announcement, the Board of the Company comprises 3 executive directors, namely, Mr. Zhao John Huan, Mr. Wang Xiaolong and Mr Wang Yuanzheng and 3 independent non-executive directors, namely, Mr. Leung Kwai Kei, Mr. Heng Victor Ja Wei and Mr. Tsang Hin Man, Terence.