明輝國際控股有限公司*
Ming Fai International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 3828)

Annual Report 2014

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. CHING Chi Fai *(Chairman)*
Mr. CHING Chi Keung
Mr. LIU Zigang
Ms. CHAN Yim Ching
Mr. CHING Tsun Wah
Mr. KEUNG Kwok Hung

Non-executive Director:

Mr. LEE King Hay

Independent non-executive Directors:

Mr. SUN Kai Lit Cliff *BBS, JP*
Mr. HUNG Kam Hung Allan
Mr. MA Chun Fung Horace
Mr. NG Bo Kwong

AUDIT COMMITTEE

Mr. MA Chun Fung Horace *(Chairman)*
Mr. SUN Kai Lit Cliff *BBS, JP*
Mr. HUNG Kam Hung Allan
Mr. NG Bo Kwong

REMUNERATION COMMITTEE

Mr. HUNG Kam Hung Allan *(Chairman)*
Mr. CHING Chi Fai
Mr. MA Chun Fung Horace
Mr. SUN Kai Lit Cliff *BBS, JP*
Mr. NG Bo Kwong

EXECUTIVE COMMITTEE

Mr. CHING Chi Fai *(Chairman)*
Mr. CHING Chi Keung
Mr. LIU Zigang
Ms. CHAN Yim Ching
Mr. CHING Tsun Wah
Mr. KEUNG Kwok Hung

NOMINATION COMMITTEE

Mr. CHING Chi Fai *(Chairman)*
Mr. SUN Kai Lit Cliff *BBS, JP*
Mr. MA Chun Fung Horace

INVESTMENT COMMITTEE

Mr. CHING Chi Fai *(Chairman)*
Mr. MA Chun Fung Horace
Mr. KEUNG Kwok Hung

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. KEUNG Kwok Hung *CPA*

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

CORPORATE INFORMATION

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

REGISTERED OFFICE

P.O. Box 309GT
Ugland House
South Church Street
George Town, Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

20th Floor, Laws Commercial Plaza
788 Cheung Sha Wan Road
Kowloon
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Bainikeng, Pinghu, Longgang
Shenzhen, the PRC

WEBSITE

www.mingfaigroup.com

STOCK CODE

3828

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Ming Fai International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the audited annual results of the Group for the year ended 31 December 2014.

Globally, the economy continued a modest recovery in 2014, with a lower growth rate than generally expected. The International Monetary Fund ("IMF") had forecasted a 3.3% growth in Purchasing Power Parity for 2014. The organization lowered this number by 0.3 percentage points that was originally made in October 2013 due to the differentiation of economies and global crises such as the conflict in Ukraine and the Ebola epidemic in West Africa. Therefore, the final economic growth rate of 2014 would register lower than 3.3%, together with increasing downside pressures and a lack of relevant economic policy incentives. China's economy slowed down in 2014, with continued deflation witnessed. The gross domestic product ("GDP") growth declined in the review period after years of increases and was lower than the previously forecast growth rate of 7.5%.

For the year ended 31 December 2014, the Group recorded a total consolidated revenue of HK$1,626.0 million (2013: HK$ 1,684.0 million), with HK$63.3 million in profit attributable to equity shareholders of the Company (2013: HK$ 40.0 million). Thanks to the consistency of cost optimization, the overall gross profit margin remained stable at 24.0% for the year under review (2013: 23.9%)

After reviewing the financial performance in 2014 and given the Group's commitment to distributing financial returns to shareholders, the board (the "Board") of directors (the "Directors") is pleased to recommend a final dividend of HK3.0 cents per share, making a total annual dividend of HK4.5 cents per share, representing a dividend payout ratio of 49.5%.

CHAIRMAN'S STATEMENT

During the year under review, because of the flexible business model and the solid client base of the Group's key business pillar — hospitality supplies business — the Group managed to maintain stable performance. In 2014, the Group further expanded its business scope to Operating Supplies and Equipment ("OS&E") services which began contributing to the Group's financial performance during the year under review. The Group integrated the OS&E segment as a new business under the hotel supplies business by first capitalizing its value from the existing client base. The management believes that this new business will become a strong growth section, contributing and optimizing the profit structure of the Group.

The traditional retail market in the PRC has been suffering a significant low gear performance period, being particularly impacted by the maturation of online commerce. Physical retail stores in the PRC experienced a "winding up period" during 2014. Given such an environment, the retail chain outlets recorded a decrease in number of stores to 805. Meanwhile, the Group has been extending efforts into the expansion of our own-label body care brand, "everyBody Labo" in the PRC. The brand has expanded its sales channel to some well-known department stores. For the year ended 31 December 2014, the brand has already stationed in several markets in PRC including Sichuan, Zhejiang, Shanghai, Yunnan, Chongqing and Guangdong.

Looking into the future, despite the apparent end of the boom times, 2015 will likely represent the fastest growth since 2011, with a given prediction of a 3.8% increase in global economic growth in 2015, according to the IMF. The US economy is expected to recover faster than previous predictions. However, the stronger growth can also stimulate higher spending and inflation. It will be accompanied by some degree of market uncertainty. China, as the key important market to the Group, will sustain a decline of its growth rate in 2015 according to the report. However, the PRC government will keep optimizing its economic structure to guarantee further development. Accompanied with the above environment, the Group will seek new approaches and further explore market opportunities to enlarge its business scale. The Group will continue managing its cost reductions, integrating the existed business sectors to maximize financial returns, while overcoming vulnerabilities to adapt to the constantly changing market environment.

On behalf of the Board, I would very much like to present my sincere gratefulness to our Shareholders,

CHAIRMAN'S STATEMENT

business partners as well as customers for their consistent support. I would also like to show my appreciation to the management of the Group and our employees, for their years of contribution and hard work to the Group.

CHING Chi Fai
Chairman
Hong Kong, 26 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The year ended 31 December 2014 remained relatively static, with the Group's total consolidated revenue standing at approximately HK$1,626.0 million as compared with HK$1,684.0 million a year earlier. The Group's core business — hospitality supplies business — remained the major financial driver with a recorded revenue of HK$1,530.6 million, comprising 94.1% of total revenue. The other business pillar, the retail segment, accounted for HK$87.6 million or 5.4% of the total top line.

Profit attributable to equity holders of the Company during the year registered an increase of 58.1% to HK$63.3 million from HK$40.0 million in financial year 2013.

Basic earnings per share attributable to equity holders of the Company for the year ended 31 December 2014 stood at HK9.1 cents (2013: HK5.7 cents).

The overall gross profit margin remained stable at 24.0% for the year under review (2013: 23.9%), which highlights the Group's continuous exertion in lowering production costs by virtue of production automation enhancement and lower raw materials price.

The Board has resolved to propose a final dividend of HK3.0 cents per share for the year ended 31 December 2014. A sum of the interim and year-end dividends is expected to be HK4.5 cents per share (2013: HK3.5 cents per share). The proposed dividend is subject to approval at the forthcoming annual general meeting (the "AGM") on 21 May 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below are the consolidated key financial highlights of the Group for the year ended 31 December 2014:

	2014 HK$ million	2013 HK$ million	% Change
Revenue	**1,626.0**	1,684.0	(3.4%)
Gross profit	**390.5**	402.5	(3.0%)
Profit attributable to equity holders of the Company	**63.3**	40.0	58.1%
Net asset value	**1,296.4**	1,272.9	1.8%
Basic earnings per share attributable to equity holders of the Company (HK cents)	**9.1**	5.7	59.6%
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**9.0**	5.6	60.7%

BUSINESS REVIEW

With the improvement in the labour markets, flattened commodity prices and steady public debt levels, the global economic recovery has gradually progressed but remained slow in 2014. It is partly affected by the slowdown in growth in the China's economy which plays an important role in the global economy recovery. The consolidated revenue of the Group was HK$1,626.0 million, down 3.4% year-on-year from HK$1,684.0 million during the year under review. Profit attributable to equity holders of the Company was HK$63.3 million, marking a rise of 58.1% as compared to HK$40.0 million in 2013.

The hotel-related segment remained as the key business for the Group during the year under review. The launch of the OS&E business during the year has become a new revenue stream to the Group. However, the overall financial performance of the Group was dragged down by the sluggish performance of the retail business.

MANAGEMENT DISCUSSION AND ANALYSIS

Hospitality Supplies Business

According to UN World Tourism Organisation ("UNWTO"), the global tourist arrivals in 2014 was comparable to 2013. Following its first half year's business strategy, the Group continued to focus on the Greater China market to introduce new clients so as to enlarge its customer base. However, the hotel industry in mainland China, especially high-end and luxury hotels, was affected by the anti-bribery policy. Thus, it resulted in a corresponding lower growth of the Group's hospitality supplies business. The Group's hospitality supplies business recorded a revenue of HK$1,530.6 million for the year ended 31 December 2014, accounting for 94.1% of the Group's total revenue, remaining comparable to the prior year.

Specifically, Greater China (including the PRC and Hong Kong) remained as the largest market and its contribution to the Group's total hospitality supplies business has increased to 43.4%, followed by North America and other Asia Pacific (excluding Australia) regions, which accounted for 25.9% and 14.9%, respectively. Europe and Australia recorded a proportion of 12.6% and 2.7% of the revenue, respectively. The overall gross profit of the hospitality supplies business stayed static compared to the previous year.

During the year under review, the Group expanded its hotel related business to full scale hotel amenities service, named OS&E business. With its accumulated wealth of experience, the Group is competent on providing integrated OS&E solutions to hotels while capitalized this business based on its existing client base who have solid business relationship with us. Further, the Group planned to further cultivate the OS&E business with new clients. Although the OS&E business is having limited contribution to the financials to the Group currently, the management believes OS&E business will be developed as one of the core competitiveness of the Group's financial performance with the future enhancement expected as well as increasing client group.

The laundry business was terminated at the end of June 2014. This segment brought a loss of HK$12.6 million to the Group in 2014 (for the year ended 31 December 2013: loss of HK$20.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Retail Business

According to the China National Commercial Information Centre, the turnover of the Top 50 retailers in China in 2014 has decreased by 0.7% compared to 2013. The Group believes that the facts of fluctuating consumption, increasing channel competition, sluggish retail sentiment and the rise of e-commerce are putting pressure on the traditional retail business in China. Being affected by these trends, the retail business of the Group continued its downturn. The PRC segment presented a revenue of HK$85.7 million, representing a drop of 34.7% from 2013.

The Group has commenced appeal proceedings to the Supreme People's Court of the PRC after receiving an initial judgement issued by the Higher People's Court of Fujian Province in relation to the alleged trademark infringement. Renminbi ("RMB") 30.0 million (equivalent to approximately HK$37.5 million) was withheld by the court for potential compensation to be paid. The Group will continue endeavoring to defend its rights and interests with all requisite actions. Although there is no final judgement issued by the court, the litigation has impacted the retail business of the Group continuously. Therefore the Group executed a cautious strategy and further cut down the number of PRC retail chain outlets to 805 (as at 31 December 2014) from 1,347 (as at 31 December 2013).

The other retail business of the Group, our own-label body care brand — "everyBody Labo" — recorded a loss of HK$8.1 million in 2014 (for the year ended 31 December 2013: loss of HK$5.3 million), attributable to the slower growth of the PRC economy and the competitive cosmetics market. Meanwhile, leveraging on the existing networks in Hong Kong, the brand has grasped and maintained a stable target market group. With the name brand awareness developed in Hong Kong, the brand was also introduced into the PRC market, and has further developed its distribution channels in China. During the year under review, the brand has entered into several markets in the PRC including Sichuan, Zhejiang, Shanghai, Yunnan, Chongqing and Guangdong.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

According to IMF forecasts, global growth in 2015 will improve to 3.8% compared with 3.3% in 2014. Growth rates in both China and the eurozone will decline according to the report. The IMF further lowered the 2015 economic growth rate of China from 7.1% to 6.8%. Thus, considering the macroeconomic environment, the Group remains conservative on the business performance outlook in the year 2015.

For 2015, UNWTO forecasts international tourism will grow and the growth is expected to be stronger in Asia Pacific region. With this positive signal, the Group will enhance the relationship with existing hotel clients and keep the hotel related business steady while pursuing further growth, especially focusing on the Asia Pacific market, which keeps showing a satisfactory improvement in performance year by year, partly attributable to the huge purchasing power of the Chinese tourists and the Group's persistent effort in exploring new markets and strengthening relationship with existing clients. Besides, the Group launched and has been expanding the OS&E business with the advantage of having an existing hotel client base. The Group will further explore and develop new clients in the PRC market with our full range of hotel equipment and supplies sourcing services. The management of the Group expects the OS&E business will help to enrich the business mix as well as optimize the consolidated gross profit when this segment becomes mature.

For the retail business segment, the Group will continue seeking new methods to face the challenges in the PRC retail market. As "everyBody Labo" brand has already entered into the PRC market, the Group will grasp more market opportunities and enrich its distribution channels to further expand its market share in the PRC with its existing market awareness.

Looking forward, the Group will still focus on the hospitality supplies business, putting more efforts into the OS&E segment to gain increasing financial returns for the Group as well as further enlarging the PRC market for its own-label brand. The Group will never stop perfecting its product mix and profit model, be continuously mindful in serving shareholders' interests and striving for the largest financial returns for them.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group's cash and cash equivalents amounted to HK$328.4 million (31 December 2013: HK$343.8 million).

In November 2009, the Group entered into a mortgage deed with a leading bank in Hong Kong to raise HK$64.4 million for the completion of acquisition of office premises in Central district. This facility bore interest at one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% per annum or 1.75% below Hong Kong dollars Prime Rate, whichever is the lower. The facility is secured by the office premises with maturity date on 27 November 2019. As at 31 December 2014, the outstanding borrowing of this facility amounted to HK$32.4 million (31 December 2013: HK$38.9 million).

Details of the borrowings are set out in Note 21 to the consolidated financial statements.

The gearing ratio at 31 December 2014, calculated on the basis of borrowings over total equity, was 2.5% as compared with 3.1% at 31 December 2013.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. The Group currently does not have a foreign currency hedging policy.

The Group primarily sourced its raw materials in the PRC. The related currency exposure with respect to RMB is managed through increasing sales denominated in the same currency.

With the current level of cash and cash equivalents on hand as well as available banking facilities, the Group's liquidity position remains strong and has sufficient financial resources to meet its current working capital requirement and future expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON GROUP ASSETS

As at 31 December 2014, a subsidiary of the Company pledged assets with aggregate carrying value of HK$197.6 million (31 December 2013: HK$197.0 million) to secure drawn bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments are set out in Note 35(a) to the consolidated financial statements. The Group has no material contingent liabilities as at 31 December 2014.

EMPLOYEES

As at 31 December 2014, the total number of employees of the Group was approximately 4,200 and the employee benefit expenses were approximately HK$337.2 million. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrading their skills and knowledge.

The Group values employees as its most valuable assets and believes effective employee engagement is an integral part of business success. In this context, effective communication with staff at all levels is highly valued with the ultimate goal to enhance the efficiency in providing quality service to the customers. The Group also has Commendation Annual Award Scheme to motivate its employees and recognize their outstanding performance.

Corporate Social Responsibilities

The Group is committed to the principle of sustainable development and fulfill corporate social responsibilities ("CSR") by applying commercial morality, being good to people and protecting our environment.

The Group sets environmental policies and complies with internationally certified environmental management systems and standards, such as International Organisation for Standardisation ("ISO") 14001:2004, ISO 14021–1999, Hong Kong Green Mark Certification Scheme and Global Security Verification.

MANAGEMENT DISCUSSION AND ANALYSIS

Being one of the world's leading hotel amenities suppliers, our Group actively pays attention to growing concerns and trends in environmental protection. In 2014, China and the United States ("US") have laid out very strict goals for emissions regulations and targets in which China has already begun enforcement on policy to cut down on environmental pollution. Shenzhen, the PRC became the first batch of national low carbon pilot city since 2010. Our Group is the first batch of carbon emissions control companies being regulated since 2013. Consequently, we are developing strategies and infrastructure to monitor and manage emission contributors usage in all aspects of the facility. This system will help us develop long term goals to create, manage and review practices and policies. We aim at becoming the most environmentally friendly manufacturer for hospitality amenity products in China.

Besides, in September 2014, the Group has become a successful applicant of the sixth group of cultural and creative industrial park in Longgang district, the PRC. In order to actively response to "influential cultural zone" strategy put forward by Longgang district committees and district government as well as positively grasping the pulse of the development of cultural industry, the Group proudly takes responsibility by carrying forward the culture of hotel supplies by adhering to innovation, enthusiastically exploring global hotel supplies development trend, and continuously promoting product diversification, branding, collectivization, marketization and globalization. We make great efforts to create "the world's top comprehensive hotel supplies solution platform" for further development of cultural industry.

The Group believes that CSR is not just about philanthropy, but also a responsibility towards the community and being able to provide a good platform to contribute in any way that is meaningful, fulfilling and sustainable. CSR will remain a prominent feature in the Group's agenda, and environmental management is always an integral part of the Group's business planning and daily operations.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHING Chi Fai, aged 53, is an executive Director and chairman of the Company. He is the chairman of Nomination Committee, Executive Committee and Investment Committee. He is also a member of Remuneration Committee. Mr. CHING has been responsible for sales and marketing, production of our products and the formulation of the overall corporate direction and business strategies of our Group. Mr. CHING has over 20 years of experience in the hospitality amenity industry. Mr. CHING Chi Keung is the brother of Mr. CHING Chi Fai and Mr. CHING Tsun Wah is the son of Mr. CHING Chi Fai.

Mr. CHING Chi Keung, aged 50, is an executive Director. He is a member of Executive Committee. Mr. CHING has been responsible for human resources and administrative matters. Mr. CHING joined our Group with Mr. CHING Chi Fai and has over 20 years of experience in the hospitality amenity industry. Mr. CHING Chi Fai is the brother of Mr. CHING Chi Keung and Mr. CHING Tsun Wah is the nephew of Mr. CHING Chi Keung.

Mr. LIU Zigang, aged 50, is an executive Director. He is a member of Executive Committee. Mr. LIU has been responsible for sales and marketing since he joined our Group in May 1995. He oversees direct sales in the Greater China region as well as the Southeast Asia markets. Mr. LIU has over 10 years of experience in the hospitality amenity industry. Mr. LIU holds a diploma from Shenzhen University, the PRC. Mr. LIU completed a course on International Business Management of Tsinghua University organised by Yangtze Delta Region Institute of Tsinghua University, the PRC.

Ms. CHAN Yim Ching, aged 47, is an executive Director. She is a member of Executive Committee. Ms. CHAN has been responsible for sales and marketing since she joined our Group in 1995. She oversees export sales to overseas markets. Ms. CHAN has over 20 years of experience in the hospitality amenity industry. Prior to joining our Group, she worked in several companies engaged in hospitality amenity business.

Mr. CHING Tsun Wah, aged 33, is an executive Director and a member of the Executive Committee. He is also the business development director of the Company. He graduated in Seneca College Toronto of Canada in marketing administration in 2003. He joined the Group since 2006 to assist in production and has been actively involved in both the business and product development of the Group. Mr. CHING has extensive experience in the hospitality amenity industry. Mr. CHING Tsun Wah is the son of Mr. CHING Chi Fai and the nephew of Mr. CHING Chi Keung.

Mr. KEUNG Kwok Hung, aged 42, is an executive Director, the chief financial officer and the company secretary of the Company. He is also a member of the Executive Committee and the Investment Committee. Mr. KEUNG joined the Group in July 2010 and he is responsible for finance and accounting matters. He has over 19 years of experience in accounting and financial management. He holds a bachelor degree in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Association of Chartered Certified Accountants ("ACCA"). He was an independent non-executive director of China Infrastructure Investment Limited, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. LEE King Hay, aged 60, is a non-executive Director. Mr. Lee has been an executive Director and a member of the Executive Committee from July 2007 to August 2014 and is responsible for overseeing manufacturing and business development. Mr. LEE first joined our Group in 1994 and left in 1996 for personal reasons. Subsequently in October 1999, he rejoined our Group as production director overseeing manufacturing. Mr. LEE has over 10 years of experience in the hospitality amenity industry. Prior to joining us, Mr. LEE was an aircraft engineer in the Hong Kong and Canadian airline business from 1977 to 1993. Mr. LEE completed the course for Aeronautic Engineering and obtained a Licence in Categories "A" & "C" from Air Service Training in Perth, Scotland and holds aircraft maintenance engineer licences issued by the United Kingdom Civil Aviation Authority, Civil Aviation Department of Hong Kong and Department of Transport Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SUN Kai Lit Cliff *BBS, JP*, aged 61, is an independent non-executive Director. He is a member of Audit Committee, Remuneration Committee and Nomination Committee. Mr. SUN is an Associate of the Institute of Industrial Engineers of Ohio and has over 30 years of experience in the household products manufacturing industry. Mr. SUN joined Kinox Enterprises Limited ("Kinox") in 1978, which is a renowned household products company in cookware, beverage servers, barbeque grills and chafing dishes. Mr. SUN is an executive director of Kinox and has been involved in various aspects of the operations and management of Kinox. Mr. SUN was appointed the Justice of the Peace in 2003 and was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region of the PRC in 2006. Mr. SUN is also an independent non-executive director of Ka Shui International Holdings Limited and a non-executive director of China South City Holdings Limited, both companies are listed on the main board of the Stock Exchange. Mr. SUN involves himself in many public services in both the PRC and Hong Kong too.

Mr. HUNG Kam Hung Allan, aged 60, is an independent non-executive Director. He is the chairman of the Remuneration Committee and a member of Audit Committee. Mr. HUNG has over 20 years of senior management experience in managing hotel operations and hotel investments. He was a deputy managing director of Top Glory International Holdings Limited ("Top Glory"), a former Hong Kong listed company which was privatized in August 2003, in 1992 and acted as its executive director from July 1997 to January 2001. During the period with Top Glory, Mr. HUNG assisted Top Glory to develop and manage hotels/resorts. He resigned from such positions due to the restructuring of Top Glory (by its holding company). In 2005, Mr. HUNG started a hotel development consultancy service to work with various hotel developers and prestigious hotel chains on design and project management.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. MA Chun Fung Horace, aged 44, is an independent non-executive Director. He is the chairman of Audit Committee and a member of each of the Remuneration Committee, Nomination Committee and Investment Committee. Mr. MA is a seasoned accountant with extensive experience in risk and internal control. Mr. MA is a Certified Public Accountant (Practicing) registered with the HKICPA, a fellow member of the ACCA, a Certified Internal Auditor registered with the Institute of Internal Auditors and holder of Certification of Control Self-Assessment of the Institute of Internal Auditors. Mr. MA also holds various degrees including Master of Science and Bachelor of Business Administration conferred by The Chinese University of Hong Kong and Bachelor of Laws conferred by the University of London. Mr. MA is currently the chief financial officer of S. Culture International Holdings Limited, the shares of which are listed on the Stock Exchange. He is also an independent non-executive director of China Saite Group Company Limited, the shares of which are listed on the Main Board of the Stock Exchange. Mr. MA was an executive director of Grand Peace Group Holdings Limited (formerly known as FAVA International Holdings Limited) and independent non-executive director of China Tianrui Group Cement Company Limited, Universe International Holdings Limited and Dejin Resources Group Company Limited, respectively, the shares of which are listed on the Stock Exchange.

Mr. NG Bo Kwong, aged 59, was appointed as an independent non-executive Director of the Company on 13 June 2013. He has been appointed as a non-executive Director of the Company since 9 July 2007 and resigned on 31 December 2012. He is a member of the Audit Committee and the Remuneration Committee. Mr. NG has over 20 years of management experience in different industries (including the hospitality amenity industry). He is the chairman of the International Quality Service Management Promotion Association (國際優質服務管理促進會) and a full member of the Hong Kong Management Association (香港管理專業協會). He had assisted a number of medium to large sized enterprises in formulating company development strategies and establishing management systems in the areas of sales and marketing, human resources and production management. Mr. Ng is also a guest lecturer of Master of Business Administration programs and senior executive development programs of several universities. He had been a director of a number of non-listed companies and is currently a director of Advance Management Consultants Limited and Guangzhou Advance Cultural Events Limited. He received a master degree of Business Administration from the University of East Asia and a doctor degree of Philosophy in Business Administration from Tarlac State University.

SENIOR MANAGEMENT

Ms. CHAN Yick Ning, aged 52, is our research and development director. Ms. CHAN is responsible for overseeing various aspects of our chemical production such as chemical production quality control, research and development of product formulations, the operations of the chemical and microbiological laboratory, the performance of the senior chemists and technicians, quality control and research and development. Ms. CHAN is also our Vice Chairman of company compliance committee to provide the technical expertise in vary aspects to ensure the regulatory compliance and product safety. Ms. CHAN joined our Group in 2005 and has over 20 years of experience in cosmetics production and laboratory operation. Ms. CHAN was awarded a Master of Science from University of Warwick in 2013 and a Diploma in Management Studies jointly by The Hong Kong Polytechnic University and Hong Kong Management Association in 1992. Ms. CHAN is also a former member and the vice president of Hong Kong Society of Cosmetic Chemists, which is in affiliation to the International Federation of Societies of Cosmetic Chemists in the United States.

DIRECTORS' REPORT

The Directors of Ming Fai International Holdings Limited (the "Company") are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries (the Company and its subsidiaries collectively, the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the supply and manufacture of quality amenity products and accessories to internationally recognised or branded operators. It has forayed into retail and distribution of the cosmetic products and fashion accessories in the PRC in 2010. The Company acts as an investment holding company. Details of the principal activities of each subsidiary of the Group are set forth in Note 17 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2014 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 45 to 123 of this annual report.

An interim dividend of HK1.5 cents per share of the Company (the "Share"), amounting to a total of approximately HK$10,474,000 was paid on 10 October 2014.

The Directors recommend the payment of a final dividend of HK3.0 cents per Share for the year ended 31 December 2014. Subject to the approval by the Shareholders at the AGM to be held on 21 May 2015, the final dividend will be paid on or around 12 June 2015 to the Shareholders whose names appear on the register of members of the Company on 1 June 2015. A sum of the interim and year-end dividends is expected to be HK4.5 cents per Share (2013: HK3.5 cents per Share).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 28 May 2015 to Monday, 1 June 2015 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 27 May 2015.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 124.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 20 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2014 are set out in the consolidated statement of changes in equity on page 49 and Note 18 to the consolidated financial statements respectively.

As at 31 December 2014, distributable reserves of the Company amounted to approximately HK$875,806,000.

SUBSIDIARIES

Particulars of the Group's principal subsidiaries are set out in Note 17 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the listed securities of the Company.

BORROWINGS

Details of the borrowings of the Group during the year ended 31 December 2014 are set out in Note 21 to the consolidated financial statements.

DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save and except for the Share Option Scheme (as defined below), at no time during the year was the Company, its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS

The Directors during the year and as at the date of this report were as follows:

Executive Directors

Mr. CHING Chi Fai *(Chairman)*
Mr. CHING Chi Keung
Mr. LIU Zigang
Ms. CHAN Yim Ching
Mr. CHING Tsun Wah (appointed on 1 September 2014)
Mr. KEUNG Kwok Hung (appointed on 1 September 2014)

Non-executive Directors

Mr. LEE King Hay (re-designated from executive Director to non-executive Director on 1 September 2014)
Mr. Lawrence Joseph MORSE (resigned on 27 March 2014)

Independent non-executive Directors

Mr. SUN Kai Lit Cliff *BBS, JP*
Mr. HUNG Kam Hung Allan
Mr. MA Chun Fung Horace
Mr. NG Bo Kwong

In accordance with article 114 of the Company's Articles of Association, Mr. CHING Tsun Wah and Mr. KEUNG Kwok Hung shall retire at the AGM and, being eligible, shall offer themselves for re-election. In accordance with article 130 of the Company's Articles of Association, Mr. LIU Zigang, Mr. LEE King Hay and Mr. MA Chun Fung Horace shall retire at the AGM and, except Mr. LEE King Hay who will not seek for re-election, other retiring Directors, namely Mr. LIU Zigang and Mr. MA Chun Fung Horace, being eligible, shall offer themselves for re-election.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

The biographical details of the Directors and the senior management are set out on pages 17 to 19.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company considers that Mr. SUN Kai Lit Cliff, Mr. HUNG Kam Hung Allan, Mr. MA Chun Fung Horace and Mr. NG Bo Kwong to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND THE FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Details of the emoluments of the Directors and of the five highest paid individuals of the Group are set out in Note 28 to the consolidated financial statements.

CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2014 is contained in Note 37 to the consolidated financial statements. There are no other connected transactions or continuing connected transaction that require the Company to be disclosed under chapter 14A of the Listing Rules.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the Directors had the following interests in the Shares and underlying shares of the Company and its associated corporations which were recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Long position in ordinary shares of HK$0.01 each in the Company

Name of Director	Nature of interests	Interest in number of Shares	Approximate percentage of shareholding of the Company
Mr. CHING Chi Fai	Corporate *(Note 1)*	165,166,600	23.64%
	Personal *(Notes 2 & 17)*	13,844,000	1.98%
Mr. CHING Chi Keung	Corporate *(Note 3)*	32,499,600	4.65%
	Personal *(Notes 4 & 17)*	4,000,000	0.57%
Ms. CHAN Yim Ching	Corporate *(Note 3)*	32,499,600	4.65%
	Personal *(Notes 5 & 17)*	4,000,000	0.57%
	Family *(Note 6)*	388,000	0.06%
Mr. LIU Zigang	Corporate *(Note 7)*	20,057,200	2.87%
	Personal *(Notes 8 & 17)*	4,000,000	0.57%
Mr. CHING Tsun Wah	Personal *(Notes 9 & 17)*	3,168,930	0.45%
	Family *(Note 10)*	775,000	0.11%
Mr. KEUNG Kwok Hung	Personal *(Notes 11 & 17)*	1,158,000	0.17%
Mr. LEE King Hay	Personal *(Notes 12 & 17)*	7,690,000	1.10%
Mr. SUN Kai Lit Cliff	Personal *(Notes 13 & 17)*	600,000	0.09%
Mr. HUNG Kam Hung Allan	Personal *(Notes 14 & 17)*	600,000	0.09%
Mr. MA Chun Fung Horace	Personal *(Notes 15 & 17)*	600,000	0.09%
Mr. NG Bo Kwong	Personal *(Notes 16 & 17)*	600,000	0.09%

DIRECTORS' REPORT

Notes:

1. These Shares were owned by Prosper Well International Limited ("Prosper Well"), which was wholly-owned by Mr. CHING Chi Fai.

2. Mr. CHING Chi Fai held 13,244,000 Shares and options to subscribe for 600,000 Shares.

3. These Shares were owned by Targetwise Trading Limited ("Targetwise"), which was owned as to 50% and 50% by Mr. CHING Chi Keung and Ms. CHAN Yim Ching respectively.

4. Mr. CHING Chi Keung held options to subscribe for 4,000,000 Shares.

5. Ms. CHAN Yim Ching held options to subscribe for 4,000,000 Shares.

6. Mr. LEE King Keung held 194,000 Shares and held options to subscribe for 194,000 Shares. Ms. CHAN Yim Ching, being Mr. LEE's spouse, was deemed to be interested in the 194,000 Shares and the options held by Mr. LEE by virtue of Part XV of the SFO.

7. These Shares were owned by Favour Power Limited ("Favour Power"), which was wholly-owned by Mr. LIU Zigang.

8. Mr. LIU Zigang held options to subscribe for 4,000,000 Shares.

9. Mr. CHING Tsun Wah held 2,393,930 Shares and options to subscribe for 775,000 Shares.

10. Ms. SO Wai Yin Tracy held options to subscribe for 775,000 Shares. Mr. CHING Tsun Wah, being Ms. SO's spouse, was deemed to be interested in the 775,000 options held by Ms. SO by virtue of Part XV of the SFO.

11. Mr. KEUNG Kwok Hung held options to subscribe for 1,158,000 Shares.

12. Mr. LEE King Hay held 3,690,000 Shares and options to subscribe for 4,000,000 Shares.

13. Mr. SUN Kai Lit Cliff held 300,000 Shares and options to subscribe for 300,000 Shares.

14. Mr. HUNG Kam Hung Allan held options to subscribe for 600,000 Shares.

15. Mr. MA Chun Fung Horace held options to subscribe for 600,000 Shares.

16. Mr. NG Bo Kwong held 300,000 Shares and options to subscribe for 300,000 Shares.

DIRECTORS' REPORT

17. As at 31 December 2014, options granted to the above Directors under the share option scheme adopted by the Company on 5 October 2007 were set out below:

Name	Date of grant	Exercise period	Exercise price per share HK$	Number of share options
Mr. CHING Chi Fai	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000
Mr. CHING Chi Keung	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000
Ms. CHAN Yim Ching	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000
Mr. LIU Zigang	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000
Mr. CHING Tsun Wah	04-09-2012	09-09-2012 to 08-09-2021	0.62	387,500
(appointed on 1 September 2014)	04-09-2012	09-09-2013 to 08-09-2021	0.62	387,500
Mr. KEUNG Kwok Hung	04-09-2012	09-09-2012 to 08-09-2021	0.62	579,000
(appointed on 1 September 2014)	04-09-2012	09-09-2013 to 08-09-2021	0.62	579,000
Mr. LEE King Hay	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000
Mr. SUN Kai Lit Cliff	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000
Mr. HUNG Kam Hung Allan	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000
Mr. MA Chun Fung Horace	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000
Mr. NG Bo Kwong	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000

Save as disclosed above, as at 31 December 2014, none of the Directors and their associates, had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO to be entered in the register referred to therein.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial Shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2014 so far as the Directors are aware of, the following substantial Shareholders (other than a Director or chief executive of the Company) had interests in 5% or more of the Company's issued share capital:

Long position in ordinary shares of HK$0.01 each in the Company

Name of substantial Shareholders	Capacity/ nature of interest	Number of Shares	Approximate percentage of shareholding of the Company
Prosper Well International Limited	Beneficial owner	165,166,600 *(Note 1)*	23.64%
Ms. LO Kit Ling	Family interest	179,010,600 *(Note 1)*	25.62%
Ms. PO Fung Kiu	Family interest	36,499,600 *(Note 2)*	5.22%
Mr. LEE King Keung	Personal and Family Interest	36,887,600 *(Note 3)*	5.28%
Atlantis Capital Holdings Limited	Interest of controlled corporation	55,154,000 *(Note 4)*	7.90%
Ms. LIU Yang	Interest of controlled corporation	55,154,000 *(Note 4)*	7.90%
American Hotel Register Company	Beneficial owner	45,585,550 *(Note 5)*	6.53%
Mr. Kevin Christopher LEAHY	Interest of controlled corporation	45,585,550 *(Note 5)*	6.53%
Mr. Sean Fitzpatrick LEAHY	Interest of controlled corporation	45,585,550 *(Note 5)*	6.53%

Notes:

1. 165,166,600 Shares were owned by Prosper Well, which is wholly-owned by Mr. CHING Chi Fai (the chairman and an executive Director). Mr. CHING Chi Fai also beneficially owned 13,244,000 Shares and held options to subscribe for 600,000 Shares. Ms. LO Kit Ling, being Mr. CHING Chi Fai's spouse, was deemed to be interested in the 179,010,600 Shares in which Mr. CHING Chi Fai had interests by virtue of Part XV of the SFO.

2. Ms. PO Fung Kiu, being Mr. CHING Chi Keung's spouse, was deemed to be interested in the 36,499,600 Shares in which Mr. CHING Chi Keung had interests by virtue of Part XV of the SFO.

3. Mr. LEE King Keung held 194,000 Shares and held share options to subscribe for 194,000 Shares personally. Mr. LEE, being Ms. CHAN Yim Ching's spouse, was deemed to be interested in the 36,499,600 Shares in which Ms. CHAN Yim Ching had interests by virtue of Part XV of the SFO. As such, the total number of Shares and underlying Shares held by Mr. LEE King Keung was 36,887,600.

4. Atlantis Capital Holdings Limited was 100% controlled by Ms. LIU Yang.

5. Mr. Kevin Christopher LEAHY and Mr. Sean Fitzpatrick LEAHY held 26% voting interest of American Hotel Register Company. They were deemed to be interested in the Shares held by American Hotel Register Company by virtue of Part XV of the SFO.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors has any competing interests in any business or has any interest in any business that may constitute direct or indirect competition with the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REMUNERATION POLICY

Remuneration of our employees (including the Directors) are generally structured by reference to market terms and individual merits. Salaries usually are reviewed annually and discretionary bonuses are paid on an annual basis based on the results of the Group, individual performance and other relevant factors.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 5 October 2007 (the "Share Option Scheme") to provide incentives or rewards to employees for their contribution to the Group.

DIRECTORS' REPORT

Movements on the share options during the year as follows:

Grantee	Date of grant	Exercise period	Exercise price per share	Number of share options					
				Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2014
			HK$						
Directors									
Mr. CHING Chi Fai	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Mr. CHING Chi Keung	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
Ms. CHAN Yim Ching	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
Mr. LIU Zigang	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
Mr. CHING Tsun Wah[1]	04-09-2012	09-09-2012 to 08-09-2021	0.62	387,500	–	–	–	–	387,500
	04-09-2012	09-09-2013 to 08-09-2021	0.62	387,500	–	–	–	–	387,500
Mr. KEUNG Kwok Hung[1]	04-09-2012	09-09-2012 to 08-09-2021	0.62	579,000	–	–	–	–	579,000
	04-09-2012	09-09-2013 to 08-09-2021	0.62	579,000	–	–	–	–	579,000
Mr. LEE King Hay	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
Mr. SUN Kai Lit Cliff	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Mr. HUNG	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Kam Hung Allan	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Mr. MA Chun	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Fung Horace	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Mr. NG Bo Kwong	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Employees									
In aggregate	04-09-2012	04-09-2012 to 22-06-2019	0.62	3,382,500	–	–	–	–	3,382,500
	04-09-2012	23-06-2013 to 22-06-2019	0.62	5,039,500[2]	–	–	–	–	5,039,500[2]
	04-09-2012	09-09-2012 to 08-09-2021	0.62	5,409,000[3]	–	(244,000)	–	(244,000)	4,921,000[3]
	04-09-2012	09-09-2013 to 08-09-2021	0.62	5,459,000[3]	–	(244,000)	–	(244,000)	4,971,000[3]
	04-09-2012	04-09-2013 to 03-09-2022	0.62	1,462,500	–	(218,000)	–	(194,000)	1,050,500
	04-09-2012	04-09-2014 to 03-09-2022	0.62	1,574,500	–	(218,000)	–	(194,000)	1,162,500
Total				**42,660,000**	**–**	**(924,000)**	**–**	**(876,000)**	**40,860,000**

DIRECTORS' REPORT

Notes:

1. Mr. CHING Tsun Wah and Mr. KEUNG Kwong Hung were appointed as executive Directors of the Company on 1 September 2014.

2. Included in employees of the Group were 194,000 options granted to Mr. LEE King Keung, being the spouse of Ms. CHAN Yim Ching who is an executive Director of the Company.

3. Included in employees were 387,500 options granted to Ms. SO Wai Yin Tracy, being spouse of Mr. CHING Tsun Wah who is an executive Director of the Company appointed on 1 September 2014.

The following is a summary of the principal terms of the rules of the Share Option Scheme:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Board to grant options to selected employees (whether full time or part time including the Directors) of any member of the Group (the "Eligible Persons") as incentives or rewards for their contribution or potential contribution to the Group.

The terms of the Share Option Scheme provide that in granting options under the Share Option Scheme, the Board is entitled to determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme is exercised. The Board is also entitled to determine the option price per Share payable on the exercise of an option (the "Exercise Price") according to the terms of the Share Option Scheme. Such terms, together with the incentive that the option will bring about, the Board believes, will serve the purpose of the Share Option Scheme.

(2) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any Eligible Person to subscribe at the Exercise Price for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any of the Eligible Persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(3) Price for subscription of Shares

The Exercise Price is to be determined by the Board provided always that it shall be at least 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 of the option which must be a trading day; and

(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,

provided that the Exercise Price shall in no event be less than the nominal amount of one Share.

(4) Acceptance of Offers

The amount payable to the Company as acceptance of the offer for the grant of an option is HK$1.00.

DIRECTORS' REPORT

(5) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue on the listing date (i.e. 2 November 2007) (the "Scheme Limit").

The Scheme Limit may be refreshed at any time subject to Shareholders' approval provided that such limit as refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the renewed limit. Share options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the Scheme Limit as refreshed. On 23 May 2013, the refreshment of the Scheme Limit was approved by the Shareholders at the AGM. As at the date of this report, the number of Shares available for issue under the Share Option Scheme is 40,660,000 which represents approximately 5.82% of the issued share capital of the Company.

(6) Maximum entitlement of each Eligible Person

The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time. Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

(7) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme become unconditional (i.e. 2 November 2007) unless terminated earlier by Shareholders in general meeting.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of sales and purchases for the year ended 31 December 2014 attributable to the Group's major customers and suppliers are as follows:

Sales	
— the largest customer	6.8%
— five largest customers combined	23.7%
Purchases	
— largest supplier	8.8%
— five largest suppliers combined	20.2%

The five largest customers and suppliers of the Group accounted for less than 30% of the Group's revenue and purchases respectively for the year ended 31 December 2014.

DIRECTORS' REPORT

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's major customers or suppliers disclosed above.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 33 to 42 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to approximately HK$41,700.

AUDITOR

The Company's auditor, PricewaterhouseCoopers who shall retire and, being eligible, offer themselves for reappointment at the AGM.

On behalf of the Board

CHING Chi Fai
Chairman
Hong Kong, 26 March 2015

CORPORATE GOVERNANCE REPORT

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices. The corporate governance principles of the Company emphasize accountability and transparency and are adopted in the best interest of the Company and its Shareholders. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of Shareholders and to fulfill its commitment to excellence in corporate governance.

During the year ended 31 December 2014, the Board has reviewed its policies and practices on corporate governance, and policies and practices on compliance with legal and regulatory requirements.

CORPORATE GOVERNANCE CODE

The Group has complied with all the code provisions set out in the Corporate Governance Code (the "Code") during the year ended 31 December 2014 as set out in Appendix 14 to the Listing Rules, except the following deviation:

- Code provision A.2.1 of the Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this report, the Board has not appointed an individual to the post of chief executive officer. The roles of the chief executive officer have been performed collectively by all the executive Directors, including the chairman of the Company. The Board considers that this arrangement allows contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies.

BOARD OF DIRECTORS

During the year and up to the date of this report, the Board comprises the following Directors:

Executive Directors

Mr. CHING Chi Fai *(Chairman)*
Mr. CHING Chi Keung
Mr. LIU Zigang
Ms. CHAN Yim Ching
Mr. CHING Tsun Wah (appointed on 1 September 2014)
Mr. KEUNG Kwok Hung (appointed on 1 September 2014)

Non-executive Directors

Mr. LEE King Hay (re-designated from executive Director to non-executive Director on 1 September 2014)
Mr. Lawrence Joseph MORSE (resigned on 27 March 2014)

Independent non-executive Directors

Mr. SUN Kai Lit Cliff *BBS, JP*
Mr. HUNG Kam Hung Allan
Mr. MA Chun Fung Horace
Mr. NG Bo Kwong

CORPORATE GOVERNANCE REPORT

Board Responsibilities and Delegation

The Board collectively determines the overall strategies of the Company, and monitors performance and risks in pursuit of the strategic objectives of the Company. Day-to-day management of the Company is delegated to the executive Directors or the senior management in charge of each division. All Directors (including non-executive Directors and independent non-executive Directors) have been consulted on all major and material matters of the Group.

The Board has delegated some of its function to the board committees, details of which are set out below. Matters specifically reserved for the Board, including convening Shareholders' meetings, implementing the Shareholders' resolutions, determining the Group's business plans and strategies, formulating the Group's annual budget and final accounts, formulating proposals for dividend and bonus distributions and for increase or reduction of share capital, determining the Group's corporate structure, formulating investment plans as well as exercising other powers, functions and duties as conferred by the Articles of Association of the Company.

The attendance of the Directors in the Board meeting, the Audit Committee meeting, the Remuneration Committee meeting, the Nomination Committee meeting and the AGM during the year ended 31 December 2014 is as follows:–

	Number of meetings attended/held				
	Board Meeting	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**AGM**
Executive Directors					
Mr. CHING Chi Fai *(Chairman)*	4/4	—	1/1	2/2	1/1
Mr. CHING Chi Keung	4/4	—	—	—	1/1
Mr. LIU Zigang	4/4	—	—	—	1/1
Ms. CHAN Yim Ching	3/4	—	—	—	1/1
Mr. CHING Tsun Wah (appointed on 1 September 2014)	1/1	—	—	—	—
Mr. KEUNG Kwok Hung (appointed on 1 September 2014)	1/1	—	—	—	—
Non-executive Directors					
Mr. LEE King Hay (re-designated from executive Director to non-executive Director on 1 September 2014)	4/4	—	—	—	1/1
Mr. Lawrence Joseph MORSE (resigned on 27 March 2014)	0/0	—	—	—	—
Independent non-executive Directors					
Mr. SUN Kai Lit Cliff	4/4	2/2	1/1	2/2	1/1
Mr. HUNG Kam Hung Allan	4/4	2/2	1/1	—	1/1
Mr. MA Chun Fung Horace	4/4	2/2	1/1	2/2	1/1
Mr. NG Bo Kwong	4/4	2/2	1/1	—	1/1

CORPORATE GOVERNANCE REPORT

Each of the Directors (including non-executive Directors and independent non-executive Directors) has been entered into a service contract/an appointment letter with the Company for a specific term. All the Directors are subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company. Mr. CHING Tsun Wah and Mr. KEUNG Kwok Hung, executive Directors, were appointed on 1 September 2014 for a period ending on 20 September 2016 under the service contracts and they will retire at the AGM and, being eligible, offer themselves for re-election pursuant to the Articles of Association of the Company. All the service contracts or appointment letters of Directors with the Company may be terminated by either party giving written notice in accordance with the terms of service contracts or appointment letters.

The number of independent non-executive Directors has met the requirements under the Listing Rules and Mr. MA Chun Fung Horace has appropriate accounting professional qualifications. 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 Directors are of the view that all independent non-executive Directors meet the independence guidelines set out in rule 3.13 of the Listing Rules.

Mr. CHING Chi Keung, an executive Director, is the brother of Mr. CHING Chi Fai who is the chairman and an executive Director. Mr. CHING Tsun Wah, an executive Director, is the son of Mr. CHING Chi Fai and the nephew of Mr. CHING Chi Keung.

During the year ended 31 December 2014, four full Board meetings were held. Minutes of the Board meetings are being kept by the company secretary of the Company and are available for inspection by the Directors of the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions on 5 October 2007. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirements set out under the Model Code for the year ended 31 December 2014.

BOARD COMMITTEES

The Board has established the following committees:

- executive committee (the "Executive Committee");
- audit committee (the "Audit Committee");
- remuneration committee (the "Remuneration Committee");
- nomination committee (the "Nomination Committee"); and
- investment committee (the "Investment Committee").

CORPORATE GOVERNANCE REPORT

EXECUTIVE COMMITTEE

The members of the Executive Committee are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang, Ms. CHAN Yim Ching, Mr. CHING Tsun Wah and Mr. KEUNG Kwok Hung, all being executive Directors. Mr. CHING Chi Fai is the chairman of the Executive Committee.

Other than the matters reserved for the Board and other committees, the Executive Committee has been delegated with the general powers to deal with the daily operations and management of the Company, including but not limited to opening bank accounts, arranging banking facilities, affixing the Common Seal, issue of shares upon exercise of any subscription or conversion rights under any share option scheme, warrants or convertible notes and promoting new companies.

Five meetings were held by the Executive Committee during the year ended 31 December 2014.

AUDIT COMMITTEE

The members of the Audit Committee are Mr. MA Chun Fung Horace, Mr. SUN Kai Lit Cliff, Mr. HUNG Kam Hung Allan and Mr. NG Bo Kwong (all are independent non-executive Directors). Mr. MA Chun Fung Horace, who possesses professional accounting qualifications and relevant accounting experience, is the chairman of the Audit Committee.

The principal responsibilities of the Audit Committee include:

- to make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors;
- to review and monitor the external auditors' independence and objectivity;
- to develop and implement policy on engaging external auditors to supply non-audit services;
- to monitor integrity of the interim and annual financial statements;
- to review significant financial reporting judgments, in particular, to focus on any changes in accounting policies and practices;
- to ensure that management has performed its duty to have an effective internal control system and to consider any major investigations findings of internal control matters;
- to review the external auditors' management letter, any material queries raised by the external auditors to management about the accounting records, financial accounts or systems of control and management's response; and
- to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2014, the Audit Committee has performed its duties by:

- reviewing the interim and annual results of the Group, and the relevant statements and reports prior to Board approval and reviewing the external auditor's reports and findings on the work performed;
- reviewing the external auditor's audit plan and terms of engagement for the audit;
- considering and approving the audit fee payable to the external auditor;
- reviewing the independency and objectivity of the external auditors, and the non-audit service fee payable to the external auditor; and
- reviewing the effectiveness of the internal control systems of the Group involving financial control, operational control, compliance control and risk management.

Two meetings were held by the Audit Committee during the year ended 31 December 2014.

REMUNERATION COMMITTEE

The members of the Remuneration Committee are Mr. CHING Chi Fai (executive Director), Mr. MA Chun Fung Horace, Mr. SUN Kai Lit Cliff, Mr. HUNG Kam Hung Allan and Mr. NG Bo Kwong (all are independent non-executive Directors). Mr. HUNG Kam Hung Allan is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are as follows:

- to make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management;
- to review and determine the terms of remuneration packages, bonuses and other compensation payable to the executive Directors and senior management; and
- to recommend to the Board the remuneration of non-executive Directors and independent non-executive Directors.

The Remuneration Committee has performed the following works during the year:

- considered and reviewed the remuneration packages and the performance of each Director and the senior management; and
- considered and reviewed the Group's remuneration policy in relation to that of comparable companies, time commitment and responsibilities of the Directors and the senior management and desirability of performance-based remuneration.

The Remuneration Committee considered that the existing terms of remunerations of the Directors and the senior management were fair and reasonable.

CORPORATE GOVERNANCE REPORT

One meeting was held by the Remuneration Committee during the year ended 31 December 2014.

The remuneration of senior management by band for the year ended 31 December 2014 is as follows:

	Number of Individuals 2014
Nil to HK$1,000,000	—
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	—

NOMINATION COMMITTEE

The members of the Nomination Committee are Mr. CHING Chi Fai (executive Director), Mr. MA Chun Fung Horace (independent non-executive Director) and Mr. SUN Kai Lit Cliff (independent non-executive Director). Mr. CHING Chi Fai is the chairman of the Nomination Committee.

The Nomination Committee is responsible for identification and recommendation to the Board of possible appointees as Directors, making recommendations to the Board on matters relating to appointment or reappointment of Directors, succession planning for Directors and assessing the independence of the independent non-executive Directors.

The work performed by the Nomination Committee during the year ended 31 December 2014 included:

- to review the structure, size and composition of the Board and make recommendations to the Board on any proposed changes to complement the Company's corporate strategy;
- to assess the independence of the independent non-executive Directors;
- to recommend the re-designation of Mr. LEE King Hay from executive Director to non-executive Director; and
- to recommend the appointment of Mr. CHING Tsun Wah and Mr. KEUNG Kwong Hung as executive Directors.

Two meetings were held by the Nomination Committee during the year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT

INVESTMENT COMMITTEE

The members of the Investment Committee are Mr. CHING Chi Fai (executive Director), Mr. MA Chun Fung Horace (independent non-executive Director) and Mr. KEUNG Kwok Hung (executive Director). Mr. CHING Chi Fai is the chairman of the Investment Committee.

The Investment Committee has been delegated by the Board to deal with investments and divestments of the Group which are less than US$20 million or 5% of the total market capitalization of the Company in aggregate, whichever is lower. Each investment shall not exceed 10% of the aforesaid amount.

One meeting was held by the Investment Committee during the year ended 31 December 2014.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to Code provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. All the Directors also understand the importance of continuous professional development and are committed to participate any suitable training or read relevant materials in order to develop and refresh their knowledge and skills. The Company has received from each Director a confirmation of their participation in continuous professional development by the following means:

Name of Directors	**Reading materials regarding regulatory updates**	**Attending external seminar(s) on professional skills**
Executive Directors		
Mr. CHING Chi Fai *(Chairman)*	✓	✓
Mr. CHING Chi Keung	✓	✓
Mr. LIU Zigang	✓	✓
Ms. CHAN Yim Ching	✓	✓
Mr. CHING Tsun Wah (appointed on 1 September 2014)	✓	✓
Mr. KEUNG Kwok Hung (appointed on 1 September 2014)	✓	✓
Non-executive Director		
Mr. LEE King Hay (re-designated from executive Director to non-executive Director on 1 September 2014)	✓	—
Independent non-executive Directors		
Mr. SUN Kai Lit Cliff	✓	✓
Mr. HUNG Kam Hung Allan	✓	—
Mr. MA Chun Fung Horace	✓	✓
Mr. NG Bo Kwong	✓	—

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

During the year, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Board will also take into account factors based on the Group's business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the Code provision D.3.1. The Board reviewed the Company's corporate governance policies and practices, continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this Corporate Governance Report. During the year, the Board has reviewed the Company's compliance of corporate governance policies and practices.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguarding assets against unauthorized use or disposition, ensuring proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and ensuring compliance with relevant legislations and regulations. In addition, the Group has established risk management procedures to identify and prioritise risks for the business to be addressed by management.

During the year ended 31 December 2014, the Board has conducted a review of the effectiveness of internal control system of the Group and is satisfied with the scope and effectiveness of the system.

COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders is given high priority by the Group. A Shareholder communication policy has been adopted for the purpose of ensuring that the Shareholders are provided with equal and timely access to balanced and understandable information about the Company.

Extensive information about the Group's activities has been provided in the annual report and the interim report which are sent to Shareholders and are available on the Company's website (www.mingfaigroup.com). All Shareholders are encouraged to attend the general meetings of the Company to discuss the businesses of the Group with the Directors and senior management in the general meetings.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by the Shareholders

The procedures of convening an extraordinary general meeting by the Shareholders are as follows:

Pursuant to article 79 of the Articles of Association of the Company, general meetings may be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at Shareholders' Meetings

There are no provisions allowing Shareholders to move new resolution at general meetings under the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Making Enquires to the Board

Shareholders may make enquires to the Board in writing to the principal place of business of the Company in Hong Kong at 20th Floor, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities for overseeing the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group, and of results and cash flow for the period. In preparing the financial statements for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made prudent and reasonable judgments and estimates and have prepared the financial statements on a going concern basis. The Directors also warrant that the Group's financial statements will be published in a timely manner.

CORPORATE GOVERNANCE REPORT

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 43 to 44 of this annual report.

AUDITOR'S REMUNERATION

The external auditor of the Company is PricewaterhouseCoopers. For the year ended 31 December 2014, the fees payable by the Company to the external auditor are listed as below:

- HK$3,300,000 for the performance of audit services; and
- HK$155,300 for provision of non-audit services;

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment and removal of the external auditors, which is subject to the approval by the Board and its Shareholders at general meetings of the Company.

The Audit Committee will take into account certain factors including the audit performance, quality and objectivity and independence of the auditor, when assessing the external auditor.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year.

On behalf of the Board

CHING Chi Fai
Chairman
Hong Kong, 26 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
MING FAI INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ming Fai International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 123, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2015

CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Goodwill	9(a)	**347,248**	355,135
Land use rights	6	**18,365**	17,834
Property, plant and equipment	7	**209,744**	217,418
Investment properties	8	**207,554**	207,180
Intangible assets	9(b)	**13,283**	16,322
Long-term prepayments	14	**22,393**	19,091
Investment in an associated company		**982**	751
Investments in joint ventures		**649**	1,031
Deferred income tax assets	10	**8,192**	8,433
Total non-current assets		**828,410**	843,195
Current assets			
Inventories	11	**213,028**	190,456
Trade and bills receivables	12	**448,732**	415,761
Amount due from an associated company	13	**4,286**	3,146
Amounts due from joint ventures		**30**	30
Prepaid tax		**436**	381
Deposits, prepayments and other receivables	14	**62,464**	63,688
Restricted cash	15	**37,515**	38,367
Cash and cash equivalents	16	**328,410**	343,800
Total current assets		**1,094,901**	1,055,629
Total assets		**1,923,311**	1,898,824
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	20	**6,986**	6,977
Share premium	20	**591,499**	590,935
Other reserves	18(a)	**691,874**	673,664
Proposed final dividend	18(a), 33	**20,958**	13,954
		1,311,317	1,285,530
Non-controlling interests		**(14,925)**	(12,662)
Total equity		**1,296,392**	1,272,868

The notes on pages 51 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*21*	**25,971**	32,444
Deferred income tax liabilities	*10*	**5,555**	5,912
Total non-current liabilities		**31,526**	38,356
Current liabilities			
Current portion of long-term bank borrowings	*21*	**6,473**	6,413
Trade payables	*22*	**252,563**	233,215
Accruals and other payables	*23*	**304,955**	300,194
Current income tax liabilities		**20,837**	41,229
Loans from non-controlling interests	*24*	**10,526**	6,521
Dividends payable		**39**	28
Total current liabilities		**595,393**	587,600
Total liabilities		**626,919**	625,956
Total equity and liabilities		**1,923,311**	1,898,824
Net current assets		**499,508**	468,029
Total assets less current liabilities		**1,327,918**	1,311,224

The financial statements on pages 45 to 123 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf.

CHING Chi Fai
Director

CHAN Yim Ching
Director

The notes on pages 51 to 123 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary	*17(a)*	**235,673**	235,628
Total non-current asset		**235,673**	235,628
Current assets			
Deposits, prepayments and other receivables	*14*	**177**	170
Amounts due from subsidiaries	*17(b)*	**626,441**	650,599
Cash and cash equivalents	*16*	**21,143**	22,322
Amounts due from joint ventures		**30**	—
Tax recoverable		**61**	—
Total current assets		**647,852**	673,091
Total assets		**883,525**	908,719
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*20*	**6,986**	6,977
Share premium	*20*	**591,499**	590,935
Other reserves	*18(b)*	**263,349**	268,091
Proposed final dividend	*18(b), 33*	**20,958**	13,954
Total equity		**882,792**	879,957
LIABILITIES			
Current liabilities			
Accruals and other payables	*23*	**639**	603
Dividends payable		**39**	28
Current income tax liabilities		**—**	53
Amounts due to subsidiaries	*17(b)*	**55**	28,078
Total current liabilities		**733**	28,762
Total liabilities		**733**	28,762
Total equity and liabilities		**883,525**	908,719
Net current assets		**647,119**	644,329
Total assets less current liabilities		**882,792**	879,957

The financial statements on pages 45 to 123 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf.

CHING Chi Fai	**CHAN Yim Ching**
Director	*Director*

The notes on pages 51 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2014 HK$'000	2013 HK$'000
Revenue	5	**1,626,016**	1,683,999
Cost of sales	25	**(1,235,497)**	(1,281,528)
Gross profit		**390,519**	402,471
Distribution costs	25	**(196,900)**	(199,219)
Administrative expenses	25	**(125,742)**	(119,759)
Other income	26	**8,035**	9,307
Impairment of property, plant and equipment	7	**—**	(4,315)
Provision for legal compensation	36	**—**	(26,349)
Operating profit		**75,912**	62,136
Finance income	29	**2,239**	1,604
Finance costs	29	**(408)**	(798)
Share of profit of an associated company		**255**	141
Share of losses of joint ventures		**(382)**	(19)
Fair value gains on investment properties	8	**600**	—
Profit before income tax		**78,216**	63,064
Income tax expenses	30	**(19,483)**	(27,984)
Profit for the year		**58,733**	35,080
Other comprehensive (loss)/income			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Currency translation differences		**(13,539)**	16,919
Realisation of exchange reserve upon disposal and dissolution of subsidiaries		**(210)**	—
Total comprehensive income for the year		**44,984**	51,999
Profit/(loss) attributable to:			
Equity holders of the Company		**63,264**	40,011
Non-controlling interests		**(4,531)**	(4,931)
		58,733	35,080
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**49,578**	56,951
Non-controlling interests		**(4,594)**	(4,952)
		44,984	51,999
Earnings per share attributable to equity holders of the Company (Expressed in HK cents)			
— Basic	32(a)	**9.1**	5.7
— Diluted	32(b)	**9.0**	5.6

The notes on pages 51 to 123 are an integral part of these consolidated financial statements.

	Note	2014 HK$'000	2013 HK$'000
Dividends			
Interim dividend paid	33	**10,474**	10,463
Proposed final dividend	33	**20,958**	13,954
		31,432	24,417

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Attributable to equity holders of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Other reserves** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Balance at 1 January 2013	6,968	590,413	653,734	1,251,115	(7,710)	1,243,405
Comprehensive income						
Profit/(loss) for the year	—	—	40,011	40,011	(4,931)	35,080
Other comprehensive income						
Currency translation differences	—	—	16,940	16,940	(21)	16,919
Total comprehensive income/(loss)	—	—	56,951	56,951	(4,952)	51,999
Final dividend relating to 2012	—	—	(17,438)	(17,438)	—	(17,438)
Interim dividend relating to 2013	—	—	(10,463)	(10,463)	—	(10,463)
Exercise of share options *(Note 20)*	9	522	—	531	—	531
Share-based compensation	—	—	4,834	4,834	—	4,834
Balance at 31 December 2013	6,977	590,935	687,618	1,285,530	(12,662)	1,272,868
Balance at 1 January 2014	**6,977**	**590,935**	**687,618**	**1,285,530**	**(12,662)**	**1,272,868**
Comprehensive income						
Profit/(loss) for the year	**—**	**—**	**63,264**	**63,264**	**(4,531)**	**58,733**
Other comprehensive income						
Currency translation differences	**—**	**—**	**(13,550)**	**(13,550)**	**11**	**(13,539)**
Realisation of exchange reserve upon disposal and dissolution of subsidiaries	**—**	**—**	**(136)**	**(136)**	**(74)**	**(210)**
Total comprehensive income/(loss)	**—**	**—**	**49,578**	**49,578**	**(4,594)**	**44,984**
Final dividend relating to 2013 *(Note 33)*	**—**	**—**	**(13,955)**	**(13,955)**	**—**	**(13,955)**
Interim dividend relating to 2014 *(Note 33)*	**—**	**—**	**(10,474)**	**(10,474)**	**—**	**(10,474)**
Capital injection from non-controlling interests	**—**	**—**	**—**	**—**	**100**	**100**
Disposal of a subsidiary	**—**	**—**	**—**	**—**	**2,231**	**2,231**
Exercise of share options *(Note 20)*	**9**	**564**	**—**	**573**	**—**	**573**
Share-based compensation	**—**	**—**	**65**	**65**	**—**	**65**
Balance at 31 December 2014	**6,986**	**591,499**	**712,832**	**1,311,317**	**(14,925)**	**1,296,392**

The notes on pages 51 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	86,567	171,097
Finance interest paid	29	(408)	(798)
Income tax paid		(39,542)	(26,832)
Net cash generated from operating activities		46,617	143,467
Cash flows from investing activities			
Purchase of property, plant and equipment		(35,535)	(24,372)
Purchase of land use rights		(1,420)	—
Purchase of intangible assets		(298)	(3,091)
Investments in joint ventures		—	(1,050)
Proceeds from disposal of property, plant and equipment	34(b)	461	815
Proceeds from disposal of subsidiaries		—	13,934
Finance interest received	29	2,239	1,604
Dividends received from an associated company		24	24
Net cash outflows arising from disposal of subsidiaries		(623)	—
Net cash used in investing activities		(35,152)	(12,136)
Cash flows from financing activities			
Proceeds from borrowings	34(c)	2,214	30,000
Repayments of borrowings	34(c)	(8,627)	(36,350)
Dividends paid to equity holders		(24,418)	(27,887)
Capital injection from non-controlling interests		100	—
Proceeds from loans from non-controlling interests	34(c)	4,528	588
Repayments of loans from non-controlling interests	34(c)	(523)	—
Proceeds from exercise of share options	20	573	531
Net cash used in financing activities		(26,153)	(33,118)
Net (decrease)/increase in cash and cash equivalents		(14,688)	98,213
Cash and cash equivalents at the beginning of the year		343,800	245,505
Exchange (losses)/gains on cash and cash equivalents		(702)	82
Cash and cash equivalents at the end of the year	16	328,410	343,800

The notes on pages 51 to 123 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Ming Fai International Holdings Limited (the "Company") is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and sales of amenity products and accessories and the distribution and retail business of cosmetics and fashion accessories in the People's Republic of China (the "PRC") through franchisees.

The Company was incorporated in the Cayman Islands on 29 May 2007 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands. Its registered address is at the office of M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company has its primary listing on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") on 26 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New and amended standards adopted by the Group:

There is no new standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 that are material to the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(c) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in Hong Kong Accounting Standard ("HKAS") 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the `hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) New standards and interpretations not yet adopted: (Continued)

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRS or Hong Kong (International Financial Reporting Interpretations Committee) interpretations that are not yet effective that would be expected to have a material impact on the Group.

(d) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of subsidiaries is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and partly held interest is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-group transactions, balances, unrealised gain on transactions between group companies are eliminated. Unrealised losses are also eliminated when necessary, amounts reported by subsidiaries have been adjusted to conform with Group's accounting profits.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investment in a subsidiary is stated at cost less provision for impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of the investment.

(e) Change in ownership interests in subsidiaries

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Associated company

An associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in an associated company is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in an associated company includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount adjacent to 'share of profit of an associated company' in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associated company. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of an associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

(g) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Joint arrangements (Continued)

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(h) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use and is amortised on a straight-line basis over the period of the lease.

Depreciation for buildings is calculated using the straight-line method to allocate cost over its estimated useful lives of 20 years.

Depreciation for other property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives, at the following rates per annum:

Leasehold improvements	Shorter of 10 years or lease period
Plant and machinery	10%–33%
Motor vehicles	20%
Furniture and fixtures	33%
Computer equipment	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of comprehensive income.

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents up-front prepayments made for the rights to use the land for periods varying from 20 to 70 years.

Amortisation of land use rights is expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated statement of comprehensive income.

(l) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both and not occupied by the Group, is classified as investment properties.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices from less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers with changes in fair values are recorded in the consolidated statement of comprehensive income.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of comprehensive income.

(m) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Intangible assets

(i) Trademarks, club debentures and software licence

Acquired trademarks, investment in club debentures and software licence are shown at historical cost. These assets have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks, investment in club debentures and software licence over their estimated useful lives of 5 to 10 years.

(ii) Brandname

Brandname acquired in a business combination is recognised at fair value at the acquisition date. The brandname has a finite useful life and is carried at cost less accumulated amortisation and impairment.

Amortisation is calculated using the straight-line method over the expected life of the brandname of 10 years.

(o) Impairment of investment in a subsidiary, an associated company, joint ventures and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Impairment testing of the investments in subsidiaries, associated companies or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associated company or joint ventures in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(p) Financial assets — loans and receivables

The Group's financial assets are loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and bills receivables, amount due from an associated company, amounts due from joint ventures, deposits and other receivables, restricted cash and cash and cash equivalents in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial assets — loans and receivables (Continued)

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(q) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling and distribution costs.

(r) Trade, bills and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade, bills and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade, bills and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and defaults are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the originally effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance accounts for the receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks with original maturities of three months or less.

(t) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(v) Current and deferred income tax

The tax expenses for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associated company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Current and deferred income tax (Continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on taxable temporary differences arising on investments in subsidiaries and an associated company and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, an associated company and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(w) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for long-service leave as a result of services rendered by employees up to the balance sheet date.

(ii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Employee benefits (Continued)

(iii) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group companies in the PRC participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities.

The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group companies in Hong Kong participate in a mandatory provident fund scheme ("MPF Scheme") for its employees in Hong Kong. MPF Scheme is a defined contribution scheme in accordance with the Mandatory Provident Fund Scheme Ordinance. Under the rules of MPF Scheme, the employer and its employees are required to contribute 5% of the employees' salaries, up to a maximum of HK$1,500 per employee per month. The assets of MPF Scheme are held separately from those of the group companies in an independently administered fund.

(iv) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Employee benefits (Continued)

(iv) Share-based compensation (Continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

When the options are cancelled during vesting periods the Group recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

When the options are modified, the Group will include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognised immediately.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Employee benefits (Continued)

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employee without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

(x) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(y) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, and discounts and after eliminated sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue recognition (Continued)

(i) Sales of goods

Sales of goods are recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods, and collectibility of the related receivables is reasonably assured.

Revenue is stated net of provision for sales returns. Provision for sales returns is made by the Group upon the delivery of goods to the customers when the significant risks and rewards of ownership of the goods are transferred to the customers.

(ii) Rental income

Rental income from investment properties is on a straight-line basis over the period of the lease term.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(z) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(aa) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group's foreign currency transactions are mainly denominated in Renminbi ("RMB"), HK$ and US dollar ("US$"). The majority of assets and liabilities are denominated in RMB, HK$ and US$, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HK$ or RMB, which are the functional currencies of the major operating companies within the Group.

As HK$ is pegged to US$, management believes that the exchange rate risk for translations between HK$ and US$ do not have a material impact to the Group. The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

This currency exposure is managed primarily through sourcing raw materials denominated in the same currency. The Group has not considered it appropriate to substantially hedge against currency risks through forward exchange contracts upon consideration of the currency risk involved and the cost of obtaining such cover.

At 31 December 2014, if HK$ had strengthened/weakened by 5% against the RMB, with all other variables held constant, post-tax profit for the year would have been approximately HK$2,529,000 (for the year ended 31 December 2013: HK$1,633,000), higher or lower, mainly as a result of foreign exchange differences on translation of RMB denominated net payables.

At 31 December 2014, if RMB had strengthened/weakened by 5% against the US$, with all other variables held constant, post-tax profit for the year would have been approximately HK$11,628,000 (for the year ended 31 December 2013: HK$6,415,000), higher or lower, mainly as a result of foreign exchange differences on translation of US$ denominated net payables.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk

The Group has cash balances placed with reputable banks and financial institutions, which generate interest income for the Group.

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in Note 21 to the consolidated financial statements.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration of refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Group calculates the impact on profit of a defined interest rate shift. For each simulation, the same interest rate shift is used. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post-tax profit of a 200 basis-point shift would be a maximum increase/decrease of HK$1,901,000 (for the year ended 31 December 2013: HK$329,000) for the year ended 31 December 2014.

(iii) Price risk

The Group is not exposed to equity securities price risk and commodity price risk.

(iv) Credit risk

Credit risk is managed on a group basis. The Group's credit risk arises from cash and cash equivalents, restricted cash as well as credit exposures to trade and bills receivables. Management has policies in place to monitor the exposures to these credit risks on an ongoing basis.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers based on their past repayment patterns, latest business developments and other factors. The Group's historical experience in collection of trade and bills receivables falls within the recorded allowances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

The table below shows the credit limit and balance of the five major debtors at 31 December 2014 and 31 December 2013.

	As at 31 December			
	2014		2013	
Counterparty	Credit limit HK$'000	Utilised HK$'000	Credit limit HK$'000	Utilised HK$'000
A	26,000	23,127	26,000	24,560
B	36,000	21,791	36,000	27,353
C	22,000	19,964	22,000	20,248
D	27,000	17,061	27,000	18,012
E	17,000	16,232	12,000	11,686
F	15,000	4,576	15,000	13,479

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the counterparty's default history. The current portion of trade and bills receivables which are not impaired are analysed below:

	As at 31 December	
	2014 HK$'000	2013 HK$'000
Trade and bills receivables		
Customers accepted within the past 12 months	19,557	20,788
Customers accepted beyond the past 12 months	233,247	219,155
Total	252,804	239,943

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

The restricted cash and cash and cash equivalents are analysed below:

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Cash and cash equivalents		
Cash at banks and bank deposits		
Listed financial institutions	**291,510**	287,674
Unlisted financial institutions	**35,769**	55,011
	327,279	342,685
Cash on hand	**1,131**	1,115
Total	**328,410**	343,800
Restricted cash		
Listed financial institution	**37,515**	38,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in fundings by keeping sufficient cash.

As at 31 December 2014, the cash and cash equivalents of the Group approximated to HK$328,410,000 (31 December 2013: HK$343,800,000).

The table below categorised the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The tabulated amounts are the contractual undiscounted cash flows.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2014					
Borrowings	**6,761**	**6,761**	**19,721**	**—**	**33,243**
Trade payables	**252,563**	**—**	**—**	**—**	**252,563**
Accruals and other payables	**131,359**	**—**	**—**	**—**	**131,359**
Loans from non-controlling interests	**10,526**	**—**	**—**	**—**	**10,526**
Dividends payable	**39**	**—**	**—**	**—**	**39**
At 31 December 2013					
Borrowings	6,759	6,759	20,275	6,195	39,988
Trade payables	233,215	—	—	—	233,215
Accruals and other payables	138,737	—	—	—	138,737
Loans from non-controlling interests	6,521	—	—	—	6,521
Dividends payable	28	—	—	—	28

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total equity. Management considers a gearing ratio of not more than 30% as reasonable.

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Borrowings	**32,444**	38,857
Total equity	**1,296,392**	1,272,868
Gearing ratio	**2.5%**	3.1%

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to interest bearing current accounts and time deposits, with appropriate maturities to manage its overall liquidity position. As at 31 December 2014, the Group maintains cash and cash equivalents of approximately HK$328,410,000 (31 December 2013: approximately HK$343,800,000) that are expected to be readily available to meet the cash outflows of its financial liabilities.

(c) Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and bills receivables, deposits and other receivables, trade payables, amounts due from subsidiaries, amount due from an associated company, amounts due from joint ventures, borrowings, dividends payable and loans from non-controlling interests, approximate their fair values due to their short maturities.

See Note 8 for disclosures of investment properties that are measured at fair value as at 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Estimated impairment of goodwill and other intangible assets

In accordance with HKFRS, an impairment charge is required for both goodwill and other intangible assets when the carrying amount exceeds the recoverable amount, defined as the higher of fair value less costs to sell and value in use. Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements.

Details of the assumptions used in the impairment tests for goodwill and intangible asset is disclosed in Note 9 to the consolidated financial statements.

The Group is currently involved in a litigation relating to the alleged infringement of trademark. Where the results of the litigation differ from management expectation, such difference will impact the recoverable amounts of goodwill and trademark and may lead to impairment of the goodwill and trademark. Details of the litigation is disclosed in Note 36 to the consolidated financial statements.

(ii) Income taxes

The Group is mainly subject to income taxes in Hong Kong, the PRC and Singapore. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical judgements

(i) Constructions on leased premises

Certain constructions or renovations expenditures of the Group are located on leased land and buildings in the PRC. The landlords named in the corresponding lease agreements have informed the Group that they are unable to produce proper land and building ownership certificates or to provide valid lease permits or other necessary permissions. However, based on the Group's past experiences and available information and after consultation with the Group's PRC legal advisor, the directors of the Company are of the view that this is unlikely to cause the interruption or termination of these leases or to have a material effect on the carrying values of the related assets of approximately HK$10,626,000 (31 December 2013: approximately HK$12,006,000) as at 31 December 2014. Accordingly, no impairment for such assets is considered necessary to be made according to the Group's accounting policies.

If there were any disputes regarding the legal title of such properties occupied by the Group comes into question, the Group might have to vacate from such properties and relocate elsewhere. This might lead to additional expenses and/or business interruptions as a result of the relocation. Mr. CHING Chi Fai, Mr. CHING Chau Chung, Mr. CHING Chi Keung, Mr. LIU Zigang and Ms. CHAN Yim Ching have undertaken to provide an indemnity in the Group's favour to reimburse any loss or damage that the Group may suffer as a result of such relocation.

(ii) Impairment of trade and bills receivables

The Group makes provision for impairment of trade and bills receivables based on an assessment of the recoverability of trade and bills receivables. Provisions are applied to trade and bills receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and provision for impaired receivables in the year in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical judgements (Continued)

(iii) Impairment of obsolete inventories

The Group makes provision for obsolete inventories based on consideration of obsolescence of raw materials and work in progress and the net realisable value of finished goods. The identification of inventory obsolescence and estimated selling price in the ordinary course of business require the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventory and impairment provision in the year in which such estimate has been changed.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reports in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

The Group is principally engaged in the manufacturing and distribution of amenity products. From a geographical perspective, the Board assesses the performance based on the Group's revenue by geographical location in which the customer is located. The Group is also engaged in the distribution and retail business of cosmetics products and fashion accessories in the PRC through retail chain outlets. Altogether, the Group has two reportable segments: (a) manufacturing and distribution business of amenity products and (b) distribution and retail business of cosmetics and fashion accessories.

The Board assesses the performance of the operating segments based on a measure of profit/(loss) before income tax, share of profit of an associated company and share of losses of joint ventures.

Information provided to the Board is measured in a manner consistent with that of the consolidated financial statements.

Sales between segments are carried out at normal commercial terms. Depreciation and amortisation charges are apportioned with reference to respective segment revenue. Assets and liabilities of the Group are allocated by reference to the principal markets in which the Group operates.

5 SEGMENT INFORMATION (Continued)

Geographical

	Manufacturing and distribution business of amenity products								Distribution and retail business of cosmetics and fashion accessories			Others	
	North America HK$'000	Europe HK$'000	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other Asia Pacific countries *(Note i)* HK$'000	Others *(Note ii)* HK$'000	Sub-total HK$'000	The PRC HK$'000	Hong Kong HK$'000	Sub-total HK$'000	HK$'000	Total HK$'000
Year ended 31 December 2014													
Segment revenue	396,636	192,539	492,501	178,289	41,831	227,975	6,798	1,536,569	85,731	1,899	87,630	7,817	1,632,016
Inter-segment revenue	–	–	(5,293)	(688)	–	–	–	(5,981)	(7)	(12)	(19)	–	(6,000)
Revenue from external customers	396,636	192,539	487,208	177,601	41,831	227,975	6,798	1,530,588	85,724	1,887	87,611	7,817	1,626,016
Earnings/(loss) before interest, taxes, depreciation, amortisation ("EBITDA") and fair value gains on investment properties	56,505	18,343	37,174	13,018	1,601	27,626	871	155,138	(33,373)	(4,975)	(38,348)	(1,659)	115,131
Fair value gains on investment properties *(Note 8)*	–	–	–	–	–	–	–	–	–	–	–	600	600
Depreciation	(6,904)	(3,352)	(8,481)	(3,092)	(728)	(3,968)	(118)	(26,643)	(2,301)	(399)	(2,700)	(6,307)	(35,650)
Amortisation	(422)	(205)	(518)	(189)	(44)	(242)	(7)	(1,627)	(1,758)	(78)	(1,836)	(106)	(3,569)
Finance income	–	–	1,850	372	–	2	–	2,224	4	–	4	11	2,239
Finance costs	–	–	(18)	(2)	–	(42)	–	(62)	–	–	–	(346)	(408)
Segment profit/(loss) before income tax	49,179	14,786	30,007	10,107	829	23,376	746	129,030	(37,428)	(5,452)	(42,880)	(7,807)	78,343
Share of profit of an associated company													255
Share of losses of joint ventures													(382)
Income tax expenses													(19,483)
Profit for the year													58,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

Geographical (Continued)

	Manufacturing and distribution business of amenity products					Distribution and retail business of cosmetics and fashion accessories			Others		
	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other locations *(Note iii)* HK$'000	Sub-total HK$'000	The PRC HK$'000	Hong Kong HK$'000	Sub-total HK$'000	HK$'000	Inter-segment elimination HK$'000	Total HK$'000
As at 31 December 2014											
Total assets	871,269	588,102	841	37,462	1,497,674	440,420	3,400	443,820	280,561	(298,744)	1,923,311
Include:											
Investment in an associated company	–	982	–	–	982	–	–	–	–	–	982
Investments in joint ventures	–	–	–	649	649	–	–	–	–	–	649
Additions to non-current assets (other than deferred income tax assets)	34,189	1,681	15	–	35,885	7,826	469	8,295	14	–	44,194
Total liabilities	374,157	146,943	30	5,057	526,187	162,476	35,920	198,396	201,080	(298,744)	626,919

5 SEGMENT INFORMATION (Continued)

Geographical (Continued)

	Manufacturing and distribution business of amenity products								Distribution and retail business of cosmetics and fashion accessories			Others	
	North America HK$'000	Europe HK$'000	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other Asia Pacific countries *(Note i)* HK$'000	Others *(Note ii)* HK$'000	Sub-total HK$'000	The PRC HK$'000	Hong Kong HK$'000	Sub-total HK$'000	HK$'000	Total HK$'000
Year ended 31 December 2013													
Segment revenue	452,102	194,892	453,642	188,708	36,392	204,003	8,569	1,538,308	131,196	3,949	135,145	16,161	1,689,614
Inter-segment revenue	–	–	(5,566)	–	–	–	–	(5,566)	–	(49)	(49)	–	(5,615)
Revenue from external customers	452,102	194,892	448,076	188,708	36,392	204,003	8,569	1,532,742	131,196	3,900	135,096	16,161	1,683,999
EBITDA, impairment of property, plant and equipment and provision for legal compensation	62,167	20,826	47,059	13,503	1,874	24,445	1,273	171,147	(25,197)	(4,780)	(29,977)	(6,196)	134,974
Impairment of property, plant and equipment *(Note 7)*	–	–	–	–	–	–	–	–	–	–	–	(4,315)	(4,315)
Depreciation	(8,574)	(3,696)	(8,498)	(3,579)	(690)	(3,869)	(162)	(29,068)	(2,250)	(223)	(2,473)	(6,880)	(38,421)
Amortisation	(480)	(207)	(475)	(200)	(39)	(216)	(9)	(1,626)	(1,759)	(263)	(2,022)	(105)	(3,753)
Finance income	–	–	1,509	66	–	–	–	1,575	24	–	24	5	1,604
Finance costs	–	–	(21)	(368)	–	–	–	(389)	–	–	–	(409)	(798)
Segment profit/(loss) before income tax	53,113	16,923	39,574	9,422	1,145	20,360	1,102	141,639	(29,182)	(5,266)	(34,448)	(17,900)	89,291
Share of profit of an associated company													141
Share of losses of joint ventures													(19)
Provision for legal compensation													(26,349)
Income tax expenses													(27,984)
Profit for the year													35,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

Geographical (Continued)

	Manufacturing and distribution business of amenity products					Distribution and retail business of cosmetics and fashion accessories			Others		
	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other locations *(Note iii)* HK$'000	Sub-total HK$'000	The PRC HK$'000	Hong Kong HK$'000	Sub-total HK$'000	HK$'000	Inter-segment elimination HK$'000	Total HK$'000
As at 31 December 2013											
Total assets	751,475	605,467	973	29,583	1,387,498	479,844	4,822	484,666	298,813	(272,153)	1,898,824
Include:											
Investment in an associated company	–	751	–	–	751	–	–	–	–	–	751
Investments in joint ventures	–	–	–	1,031	1,031	–	–	–	–	–	1,031
Additions to non-current assets (other than deferred income tax assets)	19,309	3,579	27	1,006	23,921	11,181	1,308	12,489	1,103	–	37,513
Total liabilities	344,036	146,667	24	5,154	495,881	175,393	27,170	202,563	199,665	(272,153)	625,956

Notes:

(i) Other Asia Pacific countries mainly include Japan, United Arab Emirates, Thailand, the Philippines, Malaysia, Singapore, Fiji and New Zealand.

(ii) Others mainly include South Africa, Egypt, Morocco and Nigeria.

(iii) Other locations mainly include Singapore.

Additions to non-current assets comprise additions to land use rights, property, plant and equipment, intangible assets and long-term prepayments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments.

	2014 **HK$'000**	2013 HK$'000
At 1 January	**17,834**	17,793
Additions	**1,420**	—
Amortisation *(Note 25)*	**(488)**	(458)
Exchange differences	**(401)**	499
At 31 December	**18,365**	17,834
In the PRC, held on:		
Leases of between 10 to 50 years	**18,365**	17,834

Amortisation of the Group's land use rights has been charged to the consolidated statement of comprehensive income as follows:

	2014 **HK$'000**	2013 HK$'000
Cost of sales	**59**	165
Distribution costs	**106**	293
Administrative expenses	**323**	—
	488	458

As at 31 December 2014, certain land use rights of aggregate carrying value of approximately HK$2,071,000 (31 December 2013: approximately HK$2,177,000) were pledged as securities for an undrawn banking facility of the Group (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 PROPERTY, PLANT AND EQUIPMENT

	Land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Plant and machinery HK$'000	Total HK$'000
At 1 January 2013								
Cost	3,556	140,516	78,297	17,751	12,142	16,909	183,540	452,711
Accumulated depreciation and impairment	(519)	(42,650)	(48,559)	(11,724)	(8,142)	(12,433)	(98,217)	(222,244)
Net book amount	3,037	97,866	29,738	6,027	4,000	4,476	85,323	230,467
Year ended 31 December 2013								
Opening net book amount	3,037	97,866	29,738	6,027	4,000	4,476	85,323	230,467
Additions	–	–	3,216	3,385	1,164	1,006	15,601	24,372
Disposals *(Note 34(b))*	–	–	(170)	(75)	(26)	(14)	(314)	(599)
Depreciation *(Note 25)*	(88)	(7,052)	(6,762)	(2,736)	(1,874)	(1,916)	(17,993)	(38,421)
Impairment *(Note)*	–	–	–	–	–	–	(4,315)	(4,315)
Exchange differences	–	2,634	737	48	97	110	2,288	5,914
Closing net book amount	2,949	93,448	26,759	6,649	3,361	3,662	80,590	217,418
At 31 December 2013								
Cost	3,556	144,423	82,924	19,897	13,559	18,300	200,262	482,921
Accumulated depreciation and impairment	(607)	(50,975)	(56,165)	(13,248)	(10,198)	(14,638)	(119,672)	(265,503)
Net book amount	2,949	93,448	26,759	6,649	3,361	3,662	80,590	217,418
Year ended 31 December 2014								
Opening net book amount	**2,949**	**93,448**	**26,759**	**6,649**	**3,361**	**3,662**	**80,590**	**217,418**
Additions	**–**	**969**	**12,438**	**3,156**	**3,975**	**972**	**14,024**	**35,534**
Disposals *(Note 34(b))*	**–**	**–**	**–**	**–**	**–**	**(12)**	**(662)**	**(674)**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**(82)**	**–**	**(2,220)**	**(2,302)**
Depreciation *(Note 25)*	**(88)**	**(7,043)**	**(6,623)**	**(2,733)**	**(2,206)**	**(1,500)**	**(15,457)**	**(35,650)**
Exchange differences	**–**	**(2,004)**	**(589)**	**(135)**	**(76)**	**(76)**	**(1,702)**	**(4,582)**
Closing net book amount	**2,861**	**85,370**	**31,985**	**6,937**	**4,972**	**3,046**	**74,573**	**209,744**
At 31 December 2014								
Cost	**3,556**	**142,246**	**93,515**	**20,900**	**16,663**	**18,526**	**197,818**	**493,224**
Accumulated depreciation and impairment	**(695)**	**(56,876)**	**(61,530)**	**(13,963)**	**(11,691)**	**(15,480)**	**(123,245)**	**(283,480)**
Net book amount	**2,861**	**85,370**	**31,985**	**6,937**	**4,972**	**3,046**	**74,573**	**209,744**

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Note: During the year ended 31 December 2013, due to changes in market conditions and losses suffered by the laundry business in Changshu, the PRC, impairment charges were made for plant and machinery of HK$4,315,000 by management based on an external valuation.

Depreciation of the Group's property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Cost of sales	**22,009**	27,328
Distribution costs	**4,236**	3,705
Administrative expenses	**9,405**	7,388
	35,650	38,421

As at 31 December 2014, certain property, plant and equipment with aggregate carrying value of approximately HK$18,040,000 (31 December 2013: approximately HK$20,664,000) were pledged as securities for an undrawn banking facility of the Group (Note 21).

8 INVESTMENT PROPERTIES

	2014 HK$'000	2013 HK$'000
At 1 January	**207,180**	206,899
Revaluation gain	**600**	—
Exchange differences	**(226)**	281
At 31 December	**207,554**	207,180

The following amounts have been recognised in the consolidated statement of comprehensive income:

	2014 HK$'000	2013 HK$'000
Rental income *(Note 26)*	**4,961**	4,836
Direct operating expense arising from investment properties that generate rental income *(Note 25)*	**397**	556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 INVESTMENT PROPERTIES (Continued)

(a) An independent valuation of the Group's investment properties was performed by the valuer, Asset Appraisal Limited, to determine the fair value of the investment properties as at 31 December 2014 and 2013. The following table analyses the investment properties carried at fair value.

Fair value hierarchy

Description	**Fair value measurements at 31 December 2014 using** Quoted price in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements:			
Investment properties	**–**	**207,554**	**–**

Description	Fair value measurements at 31 December 2013 using Quoted price in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements:			
Investment properties	–	207,180	–

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

Level 2 fair values of completed investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

8 INVESTMENT PROPERTIES (Continued)

(b) The Group's interests in investment properties at their carrying amounts are analysed as follows:

	2014 **HK$'000**	2013 HK$'000
In Hong Kong, held on:		
Leases of less than 50 years	**197,600**	197,000
In PRC, held on:		
Leases of over 50 years	**9,954**	10,180
	207,554	207,180

(c) At 31 December 2014, certain investment properties with an aggregate carrying amount of HK$197,600,000 (31 December 2013: HK$197,000,000) were pledged as security for a mortgage loan of the Group (Note 21).

(d) At 31 December 2014, the future aggregate minimum lease receipts under non-cancellable operating leases of investment properties are receivable by the Group as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**4,919**	3,507
Later than one year but no later than 5 years	**8,199**	—
	13,118	3,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	2014 HK$'000	2013 HK$'000
At 1 January	355,135	345,325
Exchange differences	(7,887)	9,810
At 31 December	347,248	355,135

Impairment test of goodwill

As at 31 December 2014, goodwill of HK$347,248,000 is allocated to the distribution and retail business of cosmetics and fashion accessories in the PRC.

The recoverable amount of a cash-generating unit ("CGU") has been determined based on fair value less costs of disposal calculation, using significant unobservable inputs (level 3). These calculations use discounted cash flow projection based on financial budgets approved by management covering a five-year period. Cash flows within the five-year period are extrapolated using the estimated annual growth rate and gross margin stated below. 3% growth rate is assumed for cash flows beyond the five-year period (2013: same). The growth rate does not exceed the long-term average growth rate for the country in which the CGU operates.

The key assumptions used for the calculation are as follow:

	2014	2013
Average annual growth rate	88.5%	35.1%
Average gross margin	36.9%	41.5%
Discount rate	18.0%	18.0%

Management determined budgeted gross margin and average growth of retail chain outlets and gross margin based on past performance and its expectations of the market development. The discount rate used reflects specific risks relating to the segment.

The recoverable amount calculated exceeded the carrying value. A reduction of average annual growth rate to 55.8% and gross margin to 35.1% would not result in impairment of the asset. An increase of discount rate by 11.6% would remove the remaining headroom.

9 GOODWILL AND INTANGIBLE ASSETS (Continued)

(b) Intangible assets

	Trademarks HK$'000	Investment in club debentures HK$'000	Brandname HK$'000	Software licence HK$'000	Total HK$'000
At 1 January 2013					
Cost	470	968	17,328	3,605	22,371
Accumulated amortisation	(191)	(880)	(4,043)	(1,085)	(6,199)
Net book amount	279	88	13,285	2,520	16,172
Year ended 31 December 2013					
Opening net book amount	279	88	13,285	2,520	16,172
Additions	746	—	—	2,345	3,091
Amortisation *(Note 25)*	(311)	(88)	(1,759)	(1,137)	(3,295)
Exchange differences	—	—	354	—	354
Closing net book amount	714	—	11,880	3,728	16,322
At 31 December 2013					
Cost	1,216	968	17,820	5,950	25,954
Accumulated amortisation	(502)	(968)	(5,940)	(2,222)	(9,632)
Net book amount	714	—	11,880	3,728	16,322
Year ended 31 December 2014					
Opening net book amount	**714**	**—**	**11,880**	**3,728**	**16,322**
Additions	**61**	**—**	**—**	**237**	**298**
Amortisation *(Note 25)*	**(133)**	**—**	**(1,752)**	**(1,196)**	**(3,081)**
Exchange differences	**—**	**—**	**(255)**	**(1)**	**(256)**
Closing net book amount	**642**	**—**	**9,873**	**2,768**	**13,283**
At 31 December 2014					
Cost	**1,277**	**968**	**17,423**	**6,187**	**25,855**
Accumulated amortisation	**(635)**	**(968)**	**(7,550)**	**(3,419)**	**(12,572)**
Net book amount	**642**	**—**	**9,873**	**2,768**	**13,283**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 GOODWILL AND INTANGIBLE ASSETS (Continued)

(b) Intangible assets (Continued)

Amortisation of the Group's intangible assets have been charged to the consolidated statement of comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Distribution costs	1,752	1,758
Administrative expenses	1,329	1,537
	3,081	3,295

10 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority. The offsetting amounts are as follows:

	2014 HK$'000	2013 HK$'000
Deferred income tax assets		
— Deferred income tax assets to be realised after more than twelve months	8,192	8,433
Deferred income tax liabilities		
— Deferred income tax liabilities to be settled after more than twelve months	(5,555)	(5,912)
Deferred income tax assets, net	2,637	2,521

10 DEFERRED INCOME TAX (Continued)

The net movement on the deferred income tax account is as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	2,521	(1,734)
Recognised in the consolidated statement of comprehensive income *(Note 30)*	180	4,245
Exchange differences	(64)	10
At 31 December	2,637	2,521

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2013	(625)	(1,902)	(3,322)	(5,849)
Recognised in the consolidated statement of comprehensive income	(102)	(253)	439	84
Exchange differences	—	(60)	(87)	(147)
At 31 December 2013	(727)	(2,215)	(2,970)	(5,912)
Recognised in the consolidated statement of comprehensive income	(244)	50	438	244
Exchange differences	—	49	64	113
At 31 December 2014	(971)	(2,116)	(2,468)	(5,555)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 DEFERRED INCOME TAX (Continued)

Deferred income tax assets

	Decelerated tax depreciation HK$'000
At 1 January 2013	4,115
Recognised in the consolidated statement of comprehensive income	4,161
Exchange differences	157
At 31 December 2013	**8,433**
Recognised in the consolidated statement of comprehensive income	**(64)**
Exchange differences	**(177)**
At 31 December 2014	**8,192**

Deferred income tax liabilities of HK$7,395,000 as at 31 December 2014 (31 December 2013: HK$8,258,000) have not been recognised for the withholding tax that would be payable on the remittance of earnings of PRC subsidiaries. The related unremitted earnings totaled HK$147,906,000 at 31 December 2014 (31 December 2013: HK$157,472,000), and the Group does not intend to remit these unremitted earnings from the relevant subsidiary to the Company in the foreseeable future.

11 INVENTORIES

	2014 **HK$'000**	2013 HK$'000
Raw materials	**78,195**	69,031
Work in progress	**9,812**	11,097
Finished goods	**131,006**	117,066
	219,013	197,194
Less: Provision for obsolete inventories	**(5,985)**	(6,738)
Inventories, net	**213,028**	190,456

The cost of inventories included in cost of sales during the year amounted to approximately HK$881,671,000 (during the year ended 31 December 2013: approximately HK$908,781,000).

The gross amount of inventories carried at net realisable value amounted to approximately HK$5,985,000 (31 December 2013: approximately HK$6,738,000) as at 31 December 2014.

12 TRADE AND BILLS RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**470,822**	430,306
Bills receivables	**4,006**	5,797
Receivable from a non-controlling interest	**—**	229
	474,828	436,332
Less: provision for impairment of receivables	**(26,096)**	(20,571)
Trade and bills receivables, net	**448,732**	415,761

Ageing analysis of trade and bills receivables as at 31 December 2014 is as follows:

	2014 HK$'000	2013 HK$'000
Current	**252,804**	239,943
1 – 30 days	**78,770**	77,575
31 – 60 days	**45,891**	40,016
61 – 90 days	**21,149**	26,131
91 – 180 days	**31,874**	24,774
Over 180 days	**44,340**	27,893
	474,828	436,332

The credit period granted by the Group ranges from 15 days to 120 days.

	2014 HK$'000	2013 HK$'000
Denominated in:		
— RMB	**252,135**	211,428
— US$	**169,167**	173,055
— HK$	**36,180**	33,851
— Other currencies	**17,346**	17,998
	474,828	436,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 TRADE AND BILLS RECEIVABLES (Continued)

The fair value of trade and bills receivables are as follows:

	2014 HK$'000	2013 HK$'000
Trade and bills receivables	**448,732**	415,761

As at 31 December 2014, trade and bills receivables of approximately HK$26,096,000 (31 December 2013: approximately HK$20,571,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales proceeds receivable from PRC customers which have remained long overdue.

As at 31 December 2014, trade and bills receivables of approximately HK$195,928,000 (31 December 2013: approximately HK$175,880,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 HK$'000	2013 HK$'000
Up to 90 days	**145,639**	142,539
91 to 180 days	**31,664**	24,063
Over 180 days	**18,625**	9,278
	195,928	175,880

12 TRADE AND BILLS RECEIVABLES (Continued)

Movements on the provision for impairment of trade and bills receivables are as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	**20,571**	11,570
Add: Provision for impairment of trade and bills receivables	**6,957**	10,471
Less: Disposal of a subsidiary	**(1,264)**	—
Less: Write-off of provision for impairment of trade and bills receivables	**(168)**	(1,470)
At 31 December	**26,096**	20,571

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the balance sheet date is the fair values of trade and bills receivables disclosed above.

13 AMOUNT DUE FROM AN ASSOCIATED COMPANY

The amount represents trade receivables from an associated company. The carrying value of the amount approximates its fair value. The amount is mainly denominated in HK$. The credit period granted is 30 days. The ageing analysis of amount is as follows:

	2014 HK$'000	2013 HK$'000
Current	**957**	878
1 – 30 days	**666**	304
31 – 60 days	**473**	395
61 – 90 days	**380**	438
Over 90 days	**1,810**	1,131
	4,286	3,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current:				
Deposits	**4,379**	5,246	**–**	–
Prepayments	**22,225**	24,983	**145**	145
Other receivables	**35,860**	33,459	**32**	25
	62,464	63,688	**177**	170
Non-current:				
Long-term prepayments	**22,393**	19,091	**–**	–
	84,857	82,779	**177**	170

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The fair values of deposits and other receivables are as follows:

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Current:				
Deposits	**4,379**	5,246	**—**	—
Other receivables	**35,860**	33,459	**32**	25
	40,239	38,705	**32**	25
Denominated in:				
— RMB	**19,358**	23,224	**—**	—
— HK$	**20,269**	14,482	**32**	25
— Other currencies	**612**	999	**—**	—
	40,239	38,705	**32**	25

As at 31 December 2014, prepayments of HK$7,809,000 (31 December 2013: HK$24,389,000) represents incentives to franchisees, and are amortised over the contractual franchise period, ranging from 36 to 48 months. In the event that the franchisee early terminates or breaches the terms of contract and the Group fails to recover the amount from the franchisees, any unamortised costs will be written off in the consolidated statement of comprehensive income in the period as incurred.

15 RESTRICTED CASH

	2014 HK$'000	2013 HK$'000
Restricted cash	**37,515**	38,367

As at 31 December 2014, the restricted cash of RMB30,000,000 (equivalent to approximately HK$37,515,000) (31 December 2013: RMB30,000,000 (equivalent to approximately HK$38,367,000)) was placed as collateral for an irrevocable letter of guarantee that provides financial assurance that the Group will fulfil its obligation with respect to a litigation as disclosed in Note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and on hand	**223,397**	236,010	**821**	2,183
Short term bank deposits	**105,013**	107,790	**20,322**	20,139
	328,410	343,800	**21,143**	22,322
Denominated in:				
— US$	**102,725**	141,119	**239**	239
— RMB	**134,283**	123,186	**—**	—
— HK$	**73,505**	62,240	**20,904**	22,083
— Other currencies	**17,897**	17,255	**—**	—
	328,410	343,800	**21,143**	22,322

The Group's cash and bank balances of approximately HK$138,185,000 (31 December 2013: approximately HK$124,945,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

17 INVESTMENT IN A SUBSIDIARY AND AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Investment in a subsidiary

	Company	
	2014	2013
	HK$'000	HK$'000
Investment, at cost	**235,673**	235,628

As at 31 December 2014, the Company had direct and indirect interests in the following principal subsidiaries:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Proportion of ordinary shares held directly by parent	Proportion of ordinary shares held directly by the Group	Proportion of ordinary shares held by non-controlling interests
Ming Fai Holdings Limited (明輝控股有限公司)	British Virgin Islands, limited liability company	Investment holding; Hong Kong	US$100	100%	—	—
Quality Amenities Supply Limited	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$1,000,000	—	100%	—
Ming Fai Asia Pacific Company Limited (明輝亞太有限公司)	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$10,000,000	—	100%	—
Ming Fai Enterprise International Company Limited (明輝實業國際有限公司)	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$3	—	100%	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT IN A SUBSIDIARY AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

(a) Investment in a subsidiary (Continued)

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Proportion of ordinary shares held directly by parent	Proportion of ordinary shares held directly by the Group	Proportion of ordinary shares held by non-controlling interests
Ming Fai Industrial (Shenzhen) Company Limited (明輝實業(深圳)有限公司)	The PRC, limited liability company	Manufacturing and sales of amenity products and accessories; the PRC	HK$50,000,000	—	100%	—
Quality Amenities Supply Pte. Limited	Singapore, limited liability company	Trading of amenity products and accessories; Singapore	SG$100,000	—	100%	—
Luoding Quality Amenities Company Limited (羅定市品質旅遊用品有限公司)	The PRC, limited liability company	Manufacturing and sales of amenity products and accessories; the PRC	US$2,000,000	—	100%	—
Ming Fai Quality Amenities (Australia) Pty Limited	Australia, limited liability company	Trading of amenity products and accessories; Australia	AUD10,000	—	100%	—
Changshu Mingfai Travel Products Company Limited (常熟明輝旅遊用品有限公司)	The PRC, limited liability company	Laundry services; the PRC	US$12,000,000	—	100%	—
Everybody Labo Limited (體研究所有限公司)	Hong Kong, limited liability company	Retailing and trading of cosmetics and skin care products; Hong Kong	HK$2,000,000	—	51%	49%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT IN A SUBSIDIARY AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

(a) Investment in a subsidiary (Continued)

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Proportion of ordinary shares held directly by parent	Proportion of ordinary shares held directly by the Group	Proportion of ordinary shares held by non-controlling interests
Chartered Properties Limited (特許置業有限公司)	Hong Kong, limited liability company	Property holding and investment; Hong Kong	HK$100,000	—	100%	—
Ming Fai Innovative Skin Care Lab Limited (明輝創新護膚研究所有限公司)	Hong Kong, limited liability company	Manufacturing and sales of cosmetics and skin care products; Hong Kong	HK$100,000	—	100%	—
Guangzhou 7 Magic Investment Consultancy Company Limited (廣州七色花投資顧問有限公司)	The PRC, limited liability company	Distribution and retail business of cosmetics and fashion accessories; the PRC	RMB3,000,000	—	100%	—
Jiangsu 7 Magic Trading Limited (江蘇七色花貿易有限公司)	The PRC, limited liability company	Distribution and retail business of cosmetic and fashion accessories; the PRC	US$225,000	—	100%	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT IN A SUBSIDIARY AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

(b) Amounts due from/to subsidiaries

At 31 December 2014, except for an amount of approximately HK$78,000,000 (31 December 2013: approximately HK$78,000,000) due from a subsidiary, which bears interest at 2.75% (2013: same) per annum, and unsecured and repayable on demand, the remaining balances were unsecured, interest free and repayable on demand. The carrying values of these balances are mainly denominated in HK$ and approximate their fair values.

18 RESERVES

(a) Other reserves — Group

	Merger reserve *(Note (i))* HK$'000	Statutory reserve fund *(Note (ii))* HK$'000	Share-based compensation reserve HK$'000	Other reserves HK$'000	Exchange reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2013	61,510	18,998	31,222	39,349	63,434	439,221	653,734
Comprehensive income							
Profit for the year	—	—	—	—	—	40,011	40,011
Other comprehensive income							
Currency translation differences	—	—	—	—	16,940	—	16,940
Total comprehensive income	—	—	—	—	16,940	40,011	56,951
Final dividends relating to 2012	—	—	—	—	—	(17,438)	(17,438)
Interim dividends relating to 2013	—	—	—	—	—	(10,463)	(10,463)
Exercise of share options	—	—	(123)	—	—	123	—
Profit appropriation of PRC statutory reserve *(Note (ii))*	—	3,277	—	—	—	(3,277)	—
Share-based compensation	—	—	4,834	—	—	—	4,834
Balance at 31 December 2013	61,510	22,275	35,933	39,349	80,374	448,177	687,618

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 RESERVES (Continued)

(a) Other reserves — Group (Continued)

	Merger reserve *(Note (i))* HK$'000	Statutory reserve fund *(Note (ii))* HK$'000	Share-based compensation reserve HK$'000	Other reserves HK$'000	Exchange reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2014	**61,510**	**22,275**	**35,933**	**39,349**	**80,374**	**448,177**	**687,618**
Comprehensive income							
Profit for the year	—	—	—	—	—	63,264	63,264
Other comprehensive income							
Currency translation differences	—	—	—	—	(13,550)	—	(13,550)
Realisation of exchange reserve upon disposal and dissolution of subsidiaries	—	—	—	—	(136)	—	(136)
Total comprehensive income	—	—	—	—	(13,686)	63,264	49,578
Final dividends relating to 2013 *(Note 33)*	—	—	—	—	—	(13,955)	(13,955)
Interim dividends relating to 2014 *(Note 33)*	—	—	—	—	—	(10,474)	(10,474)
Exercise of share options	—	—	(412)	—	—	412	—
Profit appropriation of PRC statutory reserve *(Note (ii))*	—	4,083	—	—	—	(4,083)	—
Share-based compensation	—	—	65	—	—	—	65
Balance at 31 December 2014	**61,510**	**26,358**	**35,586**	**39,349**	**66,688**	**483,341**	**712,832**
Representing:							
Reserves							691,874
Proposed final dividend *(Note 33)*							20,958
							712,832

Note (i): Merger reserve of the Group represents the difference between the cost of investment in subsidiaries and nominal value of the share capital and share premium of the subsidiaries in 2007 arising from the application of merger accounting in consolidating the financial information of the affected entities.

Note (ii): Under the relevant PRC laws and regulations, PRC companies are required to allocate 10% of the companies' net profit to the fund until such fund reaches 50% of the companies' registered capital. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset against accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 RESERVES (Continued)

(b) Other reserves — Company

	Merger reserve *(Note (i))* HK$'000	Share-based compensation reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2013	224,147	31,222	22,402	277,771
Comprehensive income				
Profit for the year	—	—	27,341	27,341
Total comprehensive income	—	—	27,341	27,341
Final dividends relating to 2012	—	—	(17,438)	(17,438)
Interim dividends relating to 2013	—	—	(10,463)	(10,463)
Exercise of share options	—	(123)	123	—
Share-based compensation	—	4,834	—	4,834
Balance at 31 December 2013	**224,147**	**35,933**	**21,965**	**282,045**
Balance at 1 January 2014	**224,147**	**35,933**	**21,965**	**282,045**
Comprehensive income				
Profit for the year	**—**	**—**	**26,626**	**26,626**
Total comprehensive income	**—**	**—**	**26,626**	**26,626**
Final dividends relating to 2013 *(Note 33)*	**—**	**—**	**(13,955)**	**(13,955)**
Interim dividends relating to 2014 *(Note 33)*	**—**	**—**	**(10,474)**	**(10,474)**
Exercise of share options	**—**	**(254)**	**254**	**—**
Share-based compensation	**—**	**65**	**—**	**65**
Balance at 31 December 2014	**224,147**	**35,744**	**24,416**	**284,307**
Representing:				
Reserves				**263,349**
Proposed final dividend *(Note 33)*				**20,958**
Balance at 31 December 2014				**284,307**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SHARE-BASED PAYMENT COMPENSATION

Pursuant to a written resolution of the shareholders dated 5 October 2007, a share option scheme (the "Scheme") was adopted by the Company. Pursuant to the Scheme, the Board may, at its discretion, grant any full time or part time employees, including the directors of any member of the Group, options to subscribe for ordinary shares of the Company. Details of the Scheme are disclosed in the prospectus of the Company dated 22 October 2007.

During the year ended 31 December 2009, a total of 32,000,000 share options were granted to certain directors and employees. 50% of the options are vested after two years from date of grant and the remaining of 50% of the options are only vested after four years from the date of grant. The options have an exercise price of HK$1.12 and will lapse on 23 June 2019. On 4 September 2012, the Company cancelled the remaining 26,822,000 share options and granted the same number of share options at an exercise price of HK$0.62 to replace them.

On 9 September 2011, a total of 17,790,000 share options were granted to a director and certain employees of the Group. 50% of the options are vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. On 4 September 2012, the Group cancelled the remaining 15,727,000 share options and granted the same number of share options at an exercise price of HK$0.62 to replace them.

On 4 September 2012, a total of 3,373,000 shares options were granted to certain employees of the Group. 50% of the options were vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. The options have an exercise price of HK$0.62 and will lapse on 4 September 2022. During the year ended 31 December 2014, 876,000 share options were forfeited (during the year ended 31 December 2013: 1,418,000).

Movements in the number of share options outstanding and their related exercise prices are as follows:

	2014		2013	
	Average exercise price in HK$ per share	**Number of share options (thousands)**	Average exercise price in HK$ per share	Number of share options (thousands)
At 1 January	**0.62**	**42,660**	0.62	44,934
Granted	**—**	**—**	—	—
Forfeited	**0.62**	**(876)**	0.62	(1,418)
Exercised	**0.62**	**(924)**	0.62	(856)
Expired	**—**	**—**	—	—
Cancelled	**—**	**—**	—	—
At 31 December	**0.62**	**40,860**	0.62	42,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SHARE-BASED PAYMENT COMPENSATION (Continued)

Share options outstanding at the end of the year have the following expiry date and exercise price:

Expiry date	Exercise price in HK$ per share	Number of share options (thousands) 2014	2013
23 June 2019	0.62	**26,822**	26,822
9 September 2021	0.62	**11,825**	12,801
4 September 2022	0.62	**2,213**	3,037
		40,860	42,660

All the 40,860,000 outstanding options (2013: 42,660,000 options) are exercisable (2013: 41,085,500 options). Options exercised in 2014 resulted in 924,000 shares (2013: 856,000 shares) being issued at a weighted average price of HK$0.62 each (2013: HK$0.62 each). The related weighted average share price at the time of exercise was HK$0.83 (2013: HK$0.88) per share.

20 SHARE CAPITAL AND SHARE PREMIUM

	2014 Number of shares	2014 HK$'000	2013 Number of shares	2013 HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January and 31 December	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
At 1 January	**697,663,697**	**6,977**	696,807,697	6,968
Exercise of share options *(Note 19)*	**924,000**	**9**	856,000	9
At 31 December	**698,587,697**	**6,986**	697,663,697	6,977

	Share capital HK$'000	Share premium HK$'000	Total HK$'000
Balance at 1 January 2013	6,968	590,413	597,381
Exercise of share options	9	522	531
Balance at 31 December 2013	6,977	590,935	597,912
Exercise of share options	9	564	573
Balance at 31 December 2014	**6,986**	**591,499**	**598,485**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 BORROWINGS

	2014 HK$'000	2013 HK$'000
Non-current:		
Long-term bank borrowings	25,971	32,444
Current:		
Current portion of long-term bank borrowings	6,473	6,413
	32,444	38,857
Representing:		
Secured	32,444	38,857

The Group's borrowings are denominated in HK$ and repayable as follows:

	2014 HK$'000	2013 HK$'000
Non-current:		
— HK$ *(Note)*	25,971	32,444
Representing:		
Later than one year and no later than five years	25,971	26,278
Over five years	—	6,166
	25,971	32,444

	2014 HK$'000	2013 HK$'000
Current:		
— HK$ *(Note)*	6,473	6,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 BORROWINGS (Continued)

The weighted average effective interest rate per annum of the Group's borrowings at 31 December 2014 and 2013 are set out as follows:

	2014	2013
HK$ *(Note)*	**0.97%**	0.96%

Note: In November 2009, the Group obtained a HK$ denominated mortgage loan, which bore interest at the lower of one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% and HK$ Prime Rate less 1.75%, for acquiring certain properties in Hong Kong. These properties were pledged against the mortgage loan and included in investment properties in the consolidated financial statements of the Group, with net carrying values of HK$197,600,000 as at 31 December 2014 (31 December 2013: HK$197,000,000).

Another subsidiary of the Company had entered into banking facilities which were secured by land use rights and property, plant and equipment, with net carrying values of approximately HK$2,071,000 (31 December 2013: $2,177,000) and HK$18,040,000 (31 December 2013: HK$20,664,000) as at 31 December 2014.

Interest expense on borrowings for the year ended 31 December 2014 was approximately HK$408,000 (for the year ended 31 December 2013: HK$798,000).

The carrying amounts of long-term bank borrowings approximate their fair values as the impact of discounting is not significant.

At the balance sheet date, the Group had the following undrawn banking facilities:

	2014 **HK$'000**	2013 HK$'000
Floating rate — Expiring within one year	**249,850**	252,690

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2014 HK$'000	2013 HK$'000
Current	**176,764**	170,421
1 – 30 days	**56,236**	49,034
31 – 60 days	**10,785**	5,168
61 – 90 days	**3,372**	3,146
Over 90 days	**5,406**	5,446
	252,563	233,215
Denominated in:		
— RMB	**208,941**	195,708
— HK$	**17,245**	18,331
— US$	**26,031**	18,046
— Other currencies	**346**	1,130
	252,563	233,215

23 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Advance from customers	**25,614**	27,559	**—**	—
Other payables	**139,846**	92,967	**—**	—
Accruals	**100,729**	140,022	**639**	603
Provision for legal compensation	**38,766**	39,646	**—**	—
	304,955	300,194	**639**	603

The carrying values of these balances approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 LOANS FROM NON-CONTROLLING INTERESTS

Loans from non-controlling interests are unsecured, interest free and repayable on demand. The carrying value of these liabilities approximate their fair values.

The balances are denominated as follows:

	2014 HK$'000	2013 HK$'000
HK$	**10,526**	5,998
US$	**–**	523
	10,526	6,521

25 EXPENSES BY NATURE

The following expenses/(gains) are included in cost of sales, distribution costs and administrative expenses:

	2014 HK$'000	2013 HK$'000
Changes in inventories *(Note 11)*	**881,671**	908,781
Auditor's remuneration	**3,300**	3,300
Amortisation of land use rights *(Note 6)*	**488**	458
Depreciation of property, plant and equipment *(Note 7)*	**35,650**	38,421
Amortisation of intangible assets *(Note 9)*	**3,081**	3,295
Operating lease rental in respect of buildings	**21,621**	17,835
(Write-back of provision)/provision for obsolete inventories	**(206)**	1,803
Provision for impairment of trade and bills receivables *(Note 12)*	**6,957**	10,471
Employee benefit expenses *(Note 27)*	**337,184**	341,170
Transportation expenses	**54,289**	52,980
Exchange loss/(gain), net	**6,121**	(2,779)
Advertising costs	**16,951**	24,155
Loss/(gain) on disposal of property, plant and equipment	**213**	(216)
Direct operating expenses arising from investment properties that generate rental income *(Note 8)*	**397**	556
Utilities expenses	**26,166**	26,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 OTHER INCOME

	2014 HK$'000	2013 HK$'000
Income from sales of scrap materials	**1,922**	2,105
Rental income *(Note 8)*	**4,961**	4,836
Others	**1,152**	2,366
	8,035	9,307

27 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2014 HK$'000	2013 HK$'000
Salaries, wages and bonuses	**296,397**	284,295
Pension costs — defined contribution plans	**967**	1,194
Welfare and other expenses	**39,755**	50,847
Share-based compensation	**65**	4,834
	337,184	341,170

28 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to Directors of the Company by the Group are as follows:

	2014 HK$'000	2013 HK$'000
Fees	**1,458**	1,253
Basic salaries, housing allowances, other allowances and benefits-in-kind	**8,321**	6,174
Share-based compensation	**—**	1,285
Contributions to pension plans	**156**	108
	9,935	8,820

28 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The emoluments of every director of the Company for the year ended 31 December 2014 are as follows:

Name of Directors	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Share-based compensation HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors *(Note (i))*						
Mr. CHING Chi Fai	120	1,178	1,016	–	18	2,332
Mr. CHING Chi Keung	120	432	492	–	18	1,062
Mr. LIU Zigang	120	476	599	–	48	1,243
Ms. CHAN Yim Ching	120	504	604	–	18	1,246
Mr. CHING Tsun Wah *(Note (ii))*	40	412	390	–	18	860
Mr. KEUNG Kwok Hung *(Note (iii))*	40	1,246	578	–	18	1,882
Independent non-executive Directors						
Mr. HUNG Kam Hung Allan	150	–	–	–	–	150
Mr. MA Chun Fung Horace	150	–	–	–	–	150
Mr. SUN Kai Lit Cliff	150	–	–	–	–	150
Mr. NG Bo Kwong	179	–	–	–	–	179
Non-executive Directors						
Mr. LEE King Hay *(Note (iv))*	269	299	95	–	18	681
Mr. Lawrence Joseph MORSE *(Note (v))*	–	–	–	–	–	–
Total	1,458	4,547	3,774	–	156	9,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The emoluments of every director of the Company for the year ended 31 December 2013 are as follows:

Name of Directors	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Share-based compensation HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors *(Note (i))*						
Mr. CHING Chi Fai	120	1,166	976	41	15	2,318
Mr. CHING Chi Keung	120	426	492	276	15	1,329
Mr. LIU Zigang	120	469	599	276	48	1,512
Mr. LEE King Hay	120	443	495	276	15	1,349
Ms. CHAN Yim Ching	120	504	604	276	15	1,519
Independent non-executive Directors						
Mr. HUNG Kam Hung Allan	150	–	–	41	–	191
Mr. MA Chun Fung Horace	150	–	–	41	–	191
Mr. SUN Kai Lit Cliff	150	–	–	29	–	179
Mr. NG Bo Kwong	83	–	–	29	–	112
Non-executive Director						
Mr. Lawrence Joseph MORSE	120	–	–	–	–	120
Total	1,253	3,008	3,166	1,285	108	8,820

Notes:

(i) The roles of chief executive officer have been performed collectively by all the executive Directors, including the chairman of the Company.

(ii) Mr. CHING Tsun Wah was appointed as an executive Director on 1 September 2014.

(iii) Mr. KEUNG Kwok Hung was appointed as an executive Director on 1 September 2014.

(iv) Mr. LEE King Hay was re-designated from executive Director to non-executive Director on 1 September 2014.

(v) Mr. Lawrence Joseph MORSE resigned as a non-executive Director on 27 March 2014.

28 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The emoluments of the Directors of the Company fall within the following bands:

	Number of Individuals	
	2014	2013
Nil to HK$1,000,000	**7**	5
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	1

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2014 include four directors (31 December 2013: four) whose emoluments are reflected in the analysis presented above. The emolument payables to the remaining individual for the year ended 31 December 2014 and 2013 were as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries, housing allowances, other allowances and benefit-in-kind	**1,083**	1,622
Share-based compensation	**—**	167
Contribution to pension plans	**18**	15
	1,101	1,804

(c) No emoluments have been paid to the individual or the Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2014 (31 December 2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 FINANCE INCOME AND FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Finance costs on bank borrowings		
— Wholly repayable within five years	(408)	—
— Not wholly repayable within five years	—	(798)
Finance costs	(408)	(798)
Finance income	2,239	1,604
Finance income/(costs), net	1,831	806

30 INCOME TAX EXPENSES

The amount of income tax charged/(credited) to the consolidated statement of comprehensive income represents:

	2014 HK$'000	2013 HK$'000
Current income tax:		
— Hong Kong profits tax	17,510	18,563
— PRC enterprise income tax	745	12,836
— Singapore income tax	1,408	830
	19,663	32,229
Deferred income tax *(Note 10)*	(180)	(4,245)
	19,483	27,984

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates.

Hong Kong profits tax and PRC enterprise income tax are calculated at 16.5% (2013: 16.5%) and 25% (2013: 25%) on the estimated assessable profits for the year ended 31 December 2014 respectively.

Income tax in Singapore has been provided at the rate of 17% (2013: 17%) on the estimated assessable profit for the year ended 31 December 2014.

30 INCOME TAX EXPENSES (Continued)

The difference between the actual income tax charged to the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	2014 HK$'000	2013 HK$'000
Profit before income tax	78,216	63,064
Tax calculated at domestic tax rates applicable to profits in the respective countries	11,477	9,577
Income not subject to tax	(13,052)	(4,263)
Expenses not deductible for tax purposes	8,555	15,725
Utilisation of prior year tax losses	(278)	—
Tax losses for which no deferred income tax asset was recognised	12,781	6,945
Tax charge	19,483	27,984

The weighted average applicable tax rate was 17% (for the year ended 31 December 2013: 17%) per annum for the year ended 31 December 2014.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxation profits is probable. The Group has unrecognised tax losses of approximately HK$139,787,000 (31 December 2013: HK$103,834,000) as at 31 December 2014 to offset against future taxable income. These tax losses expire in the following years:

	2014 HK$'000	2013 HK$'000
In the first to fifth years inclusive	105,334	76,014
No expiry date	34,453	27,820
	139,787	103,834

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$26,626,000 for the year ended 31 December 2014 (for the year ended 31 December 2013: HK$27,341,000).

32 EARNINGS PER SHARE

(a) Basic

Basic earnings per share attributable to equity holders of the Company is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**63,264**	40,011
Weighted average number of ordinary shares in issue (thousands)	**697,968**	697,391
Basic earnings per share attributable to equity holders of the Company (HK cents)	**9.1**	5.7

32 EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share attributable to equity holders of the Company is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options as dilutive potential shares. A calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	2014	2013
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	**63,264**	40,011
Weighted average number of ordinary shares in issue (thousands)	**697,968**	697,391
Adjustments for:		
— Share options (thousands)	**8,412**	12,189
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**706,380**	709,580
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**9.0**	5.6

33 DIVIDENDS

On 22 May 2014, a final dividend of HK2.0 cents per share for the year ended 31 December 2013, amounting to a total dividend of approximately HK$13,955,000 was approved by the Company's shareholders.

On 10 October 2014, the Board resolved to pay an interim dividend of HK1.5 cents per share for the six months ended 30 June 2014, amounting to a total dividend of approximately HK$10,474,000.

The final dividend in respect of the year ended 31 December 2014 of HK3.0 cents per share, amounting to a total dividend of approximately HK$20,958,000 is proposed on 26 March 2015, which is subject to approval at the annual general meeting to be held on 21 May 2015. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax for the year to cash generated from operations

	2014 HK$'000	2013 HK$'000
Profit before income tax	**78,216**	63,064
Adjustments for:		
— Amortisation of land use rights *(Note 6)*	**488**	458
— Depreciation of property, plant and equipment *(Note 7)*	**35,650**	38,421
— Amortisation of intangible assets *(Note 9)*	**3,081**	3,295
— Loss/(gain) on disposal of property, plant and equipment *(Note 34(b))*	**213**	(216)
— Impairment of property, plant and equipment *(Note 7)*	**—**	4,315
— Finance income *(Note 29)*	**(2,239)**	(1,604)
— Finance costs *(Note 29)*	**408**	798
— (Write-back of provision)/provision for obsolete inventories *(Note 25)*	**(206)**	1,803
— Provision for impairment of trade and bills receivables *(Note 12)*	**6,957**	10,471
— Direct write-off of provision of trade and bills receivables	**781**	675
— Amortisation of incentive	**23,356**	23,255
— Share of profit of an associated company	**(255)**	(141)
— Share of losses of joint ventures	**382**	19
— Share-based compensation	**65**	4,834
— Fair value gains on investment properties	**(600)**	—
— Provision for impairment of other receivables	**518**	—
— Gain on disposal and dissolution of subsidiaries	**(128)**	—
— Provision for legal compensation *(Note 36)*	**—**	26,349
Changes in working capital:		
— Inventories	**(23,962)**	7,240
— Trade and bills receivables	**(40,709)**	(35,302)
— Deposits, prepayments and other receivables	**(28,204)**	(2,811)
— Trade payables	**19,454**	2,214
— Accruals and other payables	**14,441**	25,808
— Amount due from an associated company	**(1,140)**	(1,818)
— Amounts due from joint ventures	**—**	(30)
Cash generated from operations	**86,567**	171,097

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2014 HK$'000	2013 HK$'000
Net book amount:		
— Property, plant and equipment *(Note 7)*	**674**	599
(Loss)/gain on disposal of property, plant and equipment *(Note 25)*	**(213)**	216
Proceeds from disposal of property, plant and equipment	**461**	815

(c) Analysis of changes in financing during the year

Bank borrowings

	2014 HK$'000	2013 HK$'000
Beginning of the year	**38,857**	45,207
Proceeds from borrowings	**2,214**	30,000
Repayments of borrowings	**(8,627)**	(36,350)
Exchange difference	**—**	—
End of the year	**32,444**	38,857

Loans from non-controlling interests

	2014 HK$'000	2013 HK$'000
Beginning of the year	**6,521**	5,933
Proceeds from loans	**4,528**	588
Repayments of loans	**(523)**	—
Exchange difference	**—**	—
End of the year	**10,526**	6,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 COMMITMENTS

(a) Capital commitments

As at 31 December 2014, the capital commitments of the Group were HK$9,927,000 (31 December 2013: HK$12,559,000).

	2014 HK$'000	2013 HK$'000
Contracted but not provided for in the consolidated financial statements	9,927	12,559

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases of the Group are as follows:

	2014 HK$'000	2013 HK$'000
No later than one year	17,143	17,032
Later than one year and no later than five years	20,208	23,990
Later than five years	4,952	5,182
	42,303	46,204

(c) Other commitments

As at 31 December 2014, the Group has the following other commitments:

	2014 HK$'000	2013 HK$'000
No later than one year	80	58
Later than one year and no later than five years	33	3
	113	61

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 PROVISION FOR LEGAL COMPENSATION

In 2012, a competitor (the "Plaintiff") alleged that certain subsidiaries of the Group, including 廣州七色花投資顧問有限公司, 深圳輝華倉儲服務有限公司 and 明輝實業(深圳)有限公司 (collectively, the "Defendants"), had infringed trademarks and sought damages of RMB100,000,000 (equivalent to approximately HK$127,890,000). In January 2014, the Group received the judgement made by the Higher People's Court of Fujian Province against the Defendant that, amongst other things, the Defendants shall pay to the Plaintiff a total amount of RMB30,000,000 (equivalent to approximately HK$38,367,000) as damages. As a result, the Group accrued provision for legal compensation and other related costs of RMB31,000,000 (equivalent to approximately HK$39,138,000) in its consolidated financial statements as at 31 December 2013. The Group has lodged formal appeal against the judgement in January 2014 and the first court of hearing was held in the Supreme People's Court in Beijing in June 2014. As at 31 December 2014, the litigation is still in progress and no final judgement has been issued. Based on legal opinion, the Group had strong reasons to appeal. Management considers no additional provision necessary for the year ended 31 December 2014. Shall the results of the litigation differ from management expectation, the recoverable amounts of the related assets as at 31 December 2014, including goodwill of HK$347,248,000 and trademark of HK$9,874,000 may be impacted.

37 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The ultimate controlling parties of the Group are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang and Ms. CHAN Yim Ching.

(a) Significant related party transactions

The Group has carried out significant transactions with the following related parties:

Name of related party	Principal business activities	Relationship with the Group
Mr. LIU Zigang	Not applicable	A shareholder and a Director of the Company
Ming Fai Plastic Industrial Company	Manufacturing of plastic products (Ceased manufacturing of plastic products since April 2003)	Partnership owned by Mr. CHING Chi Fai, Mr. YEUNG Tin Loi and Mr. CHING Chi Keung
Quality Amenities Supply (M) Sdn. Bhd.	Trading of hotel amenities and accessories	Associated company of the Company
iBridge Technology (Shenzhen) Limited (恩博哲科技(深圳)有限公司) ("iBridge Technology")	Provision of information technology services	Joint venture of the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

The Group had the following significant transactions with related parties:

	2014 HK$'000	2013 HK$'000
(i) Sales of goods		
— to Quality Amenities Supply (M) Sdn. Bhd.	**5,727**	4,497
(ii) Rental charged		
— by Ming Fai Plastic Industrial Company	**917**	921
— by Mr. LIU Zigang	**166**	167
(iii) Purchase of services rendered from		
— Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd.	**969**	918
— Information technology service charges from iBridge Technology	**357**	–

Sales of goods are transacted at normal commercial terms that are consistently applied to all customers.

Purchases of services are transacted at normal commercial terms that are consistently applied to all customers of the related companies.

The Group leased certain properties from Ming Fai Plastic Industrial Company as one of its production bases in the PRC. The transaction is carried out at prices agreed between the parties.

The Group leased one office premise in the PRC from Mr. LIU Zigang. The transaction is carried out at prices as agreed between the parties.

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	2014 HK$'000	2013 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**8,487**	6,774
Share-based compensation	**—**	1,145
Contributions to pension plans	**138**	108
	8,625	8,027

(c) Year end balances arising from sales of goods and purchases of services

	2014 HK$'000	2013 HK$'000
Amounts due from		
— Quality Amenities Supply (M) Sdn. Bhd. *(Note 13)*	**4,286**	3,146
— iBridge Technology *(Note)*	**473**	—

Note: The balance represents prepayment to iBridge Technology arising from purchases of information technology services. The balance is unsecured in nature and bears no interest.

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Years ended 31 December				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Revenue	1,085,933	1,475,369	1,685,723	1,683,999	**1,626,016**
Profit before income tax	135,922	90,221	102,541	63,064	**78,216**
Income tax expenses	(26,178)	(22,760)	(27,363)	(27,984)	**(19,483)**
Profit for the year	109,744	67,461	75,178	35,080	**58,733**

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
ASSETS					
Non-current assets	789,694	856,596	842,207	843,195	**828,410**
Current assets	634,568	812,971	958,836	1,055,629	**1,094,901**
Total assets	1,424,262	1,669,567	1,801,043	1,898,824	**1,923,311**
EQUITY AND LIABILITIES					
Total equity	974,357	1,106,277	1,243,405	1,272,868	**1,296,392**
Non-current liabilities	73,021	55,907	44,717	38,356	**31,526**
Current liabilities	376,884	507,383	512,921	587,600	**595,393**
Total liabilities	449,905	563,290	557,638	625,956	**626,919**
Total equity and liabilities	1,424,262	1,669,567	1,801,043	1,898,824	**1,923,311**