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 2015

* For identification purpose only

Contents

CORPORATE Information

Corporate Information

BOARD OF DIRECTORS

Executive Directors:
Mr. CHING Chi Fai *(Chairman)*
Mr. CHING Chi Keung
Mr. LIU Zigang
Mr. CHING Tsun Wah
Mr. KEUNG Kwok Hung

Non-executive Director:
Ms. CHAN Yim Ching

Independent non-executive Directors:
Mr. HUNG Kam Hung Allan
Mr. MA Chun Fung Horace
Mr. NG Bo Kwong
Mr. SUN Yung Tson Eric

AUDIT COMMITTEE

Mr. MA Chun Fung Horace *(Chairman)*
Mr. HUNG Kam Hung Allan
Mr. NG Bo Kwong
Mr. SUN Yung Tson Eric

REMUNERATION COMMITTEE

Mr. HUNG Kam Hung Allan *(Chairman)*
Mr. CHING Chi Fai
Mr. MA Chun Fung Horace
Mr. NG Bo Kwong
Mr. SUN Yung Tson Eric

EXECUTIVE COMMITTEE

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

NOMINATION COMMITTEE

Mr. CHING Chi Fai *(Chairman)*
Mr. MA Chun Fung Horace
Mr. SUN Yung Tson Eric

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
Hang Seng Bank Limited

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

Highlights
For The Year 2015

- Revenue increased 5.2% to HK$1,710.9 million (2014: HK$1,626.0 million)
- Gross profit increased 7.0% to HK$417.9 million (2014: HK$390.5 million)
- Gross profit margin increased 0.4 percentage point to 24.4% (2014: 24.0%)
- Operating loss is HK$199.3 million (2014: profit of HK$75.9 million) and the loss for the year 2015 is HK$226.1 million (2014: profit of HK$58.7 million). These have included several significant non-recurring items recognised in the consolidated statement of comprehensive income:

  — Impairment of goodwill: HK$331.5 million (expense)

  — Reversal of net provision for legal compensation: HK$34.9 million (income)

  — Impairment of intangible asset: HK$7.8 million (expense) and corresponding reversal of deferred tax liability: HK$1.9 million (income)

  — Impairment of property, plant and equipment: HK$4.2 million (expense)

  Excluding these one-off items, there is an operating profit of HK$109.3 million. To provide better information to the readers of the financial statements, the following financial information before and after recognition of the above mentioned significant non-recurring items is presented below:

	2015		2014
	BEFORE recognition of significant non-recurring items HK$ million	**AFTER recognition of significant non-recurring items HK$ million**	HK$ million
Operating profit/(loss)	**109.3**	**(199.3)**	75.9
Profit/(loss) for the year	**80.6**	**(226.1)**	58.7
Basic earnings/(loss) per share attributable to owners of the Company (HK cents)	**11.5**	**(31.6)**	9.1

- A proposed final dividend of HK3.0 cents was recommended, together with the interim dividend of HK2.0 cents, representing a total annual dividend of HK5.0 cents per share (2014: HK4.5 cents), with a dividend payout ratio of 43.5% (before recognition of significant non-recurring items).

Five Years Financial Summary

CONSOLIDATED RESULTS

	Years ended 31 December				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Revenue	1,475,369	1,685,723	1,683,999	1,626,016	**1,710,885**
Profit/(loss) before income tax	90,221	102,541	63,064	78,216	**(199,299)**
Income tax expenses	(22,760)	(27,363)	(27,984)	(19,483)	**(26,839)**
Profit/(loss) for the year	67,461	75,178	35,080	58,733	**(226,138)**

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
ASSETS					
Non-current assets	856,596	842,207	843,195	828,410	**546,604**
Current assets	812,971	958,836	1,055,629	1,094,901	**1,075,041**
Total assets	1,669,567	1,801,043	1,898,824	1,923,311	**1,621,645**
EQUITY AND LIABILITIES					
Total equity	1,106,277	1,243,405	1,272,868	1,296,392	**1,011,378**
Non-current liabilities	55,907	44,717	38,356	31,526	**22,179**
Current liabilities	507,383	512,921	587,600	595,393	**588,088**
Total liabilities	563,290	557,638	625,956	626,919	**610,267**
Total equity and liabilities	1,669,567	1,801,043	1,898,824	1,923,311	**1,621,645**

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 hereby present the audited annual results of the Group for the year ended 31 December 2015.

The global economy experienced another year that fell short of expectations. The unsatisfactory data of 2015 was impacted by post-crisis lows in commodity prices, weaker capital flows and a slowdown in global trade. Another key contributor, the weaker gross domestic products ("GDP") growth in China, is also responsible for the economic slowdown. According to the National Bureau of Statistics of the PRC, the overall GDP growth slowed to 6.9%, represented 0.4 percentage point decrease compared to the 7.3% growth rate recorded in 2014.

Having witnessed the economic pressure from both inside and outside of China, the Group's operating performance remained relatively stable during the year under review, attributable to the positive performance of the core business of the Group — hospitality supplies business. The Group recorded an overall revenue of HK$1,710.9 million, or a 5.2% increase compared to 2014. The gross profit registered a 7.0% rise to HK$417.9 million (2014: HK$390.5 million), with a further enhanced gross profit margin of 24.4% (2014: 24.0%), attributable to the continuously executed cost savings strategy and lower raw material costs. Loss attributable to owners of the Company of HK$221.9 million (profit for the year ended 31 December 2014: HK$63.3 million) was mainly due to the impairment loss on goodwill of approximately HK$331.5 million.

However, at the operational level without considering the one-off losses, the financial performance showed better operational results compared to 2014 since the downtrend of the retail business was eased and the other business segment — hospitality supplies business — presented a solid increase in 2015.

Based on the financial performance seen in 2015, the Board (the "Board") of directors of the Company (the "Directors") is pleased to recommend a final dividend of HK3.0 cents per share, together with the interim dividend of HK 2.0 cents, representing a total annual dividend of HK5.0 cents per share (2014: HK4.5 cents), with a dividend payout ratio of 43.5% (before recognition of significant non-recurring items).

In terms of the hospitality supplies business, it maintained its stable performance in the reviewing year due to the positive tourism atmosphere worldwide. Global tourism registered a new record high in 2015 with a 4.4% growth rate to a total 1,184 million international tourist arrivals. By the end of 2015, China inbound tourism recorded a steady increase compared with 2014. China is still considered as the main expanding market of the Group's hospitality supplies business, and revenue from the region accounted for 30.9% of the total segment revenue, followed by North America, Europe, as well as other Asia Pacific areas and Australia, along with Hong Kong. The Operating Supplies and Equipment ("OS&E") business is another key development section under the hospitality supplies business and demonstrated an encouraging outcome in 2015. Even though the section is in its initial stage, it has already generated positive financial returns to the Group.

In terms of the retail industry in China, amidst continuous challenges from e-commerce, the traditional physical retail store business experienced another sluggish year in 2015. During the year under review, the Group kept practising its cost savings policies for the retail business. Meanwhile, the own-label body care brand business maintained its expansionary steps in the PRC.

The Group recognises the limitation to the development of retail business and is providing basic support to the business operation while seeking opportunities for changes in future operation strategies, such as possible business transition, merger and acquisition, or divestment plan. The Group will prioritize the interests of shareholders of the Company (the "Shareholders") when considering any possible future development plans of its retail business.

Regarding the forecast issued by The World Bank, economic growth will register a 2.9% increase in 2016 and 3.1% in 2017 to 2018, with a new round of edging up coming. Looking forward, for the hospitality supplies business, the Group will continue grasping market opportunities, putting more effort into expanding the core business and attaining more clients worldwide, especially in the China market as well as other Asia Pacific countries. Regarding the OS&E business, as a value added service for the Group's hospitality supplies business, it warrants further development and will be a highlighted contributor in the coming financial year. Thus, the Group maintains its optimistic attitude to the business performance in 2016.

On behalf of the Board, I am honored to express my gratitude to all Shareholders, business partners and our cautious and conscientious employees and management. It is our pleasure to have all these groups' support, belief and hard work.

CHING Chi Fai
Chairman
Hong Kong, 29 March 2016

MANAGEMENT
Discussion and Analysis

FINANCIAL REVIEW

The total revenue for the year ended 31 December 2015 remained solid at approximately HK$1,710.9 million compared with HK$1,626.0 million in 2014. The hospitality supplies business, the core business of the Group, maintained its top position as revenue contributor with revenue of HK$1,661.7 million, comprising 97.1% of total revenue. The retail business revenue accounted for HK$49.2 million, or 2.9% of the total revenue.

Loss attributable to owners of the Company during the year was HK$221.9 million (profit for the year ended 31 December 2014: HK$63.3 million).

Basic loss per share attributable to owners of the Company for the year ended 31 December 2015 was HK31.6 cents (Basic earnings per share for the year ended 31 December 2014: HK9.1 cents).

The overall gross profit margin remained stable at 24.4% for the year (2014: 24.0%), as a result of the Group's continuous efforts in reducing production costs under the environment of increasing labor costs and other overheads.

The Board has resolved to propose a final dividend of HK3.0 cents per share for the year ended 31 December 2015. A sum of the interim and final dividends is expected to be HK5.0 cents per share (2014: HK4.5 cents per share). The proposed dividend is subject to approval at the forthcoming annual general meeting (the "AGM") on 26 May 2016.

Set out below are the consolidated key financial highlights of the Group for the year ended 31 December 2015:

	Year ended 31 December 2015 HK$ million	2014 HK$ million	% Change
Revenue	**1,710.9**	1,626.0	5.2%
Gross profit	**417.9**	390.5	7.0%
(Loss)/profit attributable to owners of the Company	**(221.9)**	63.3	(450.6%)
Net asset value	**1,011.4**	1,296.4	(22.0%)
Basic (loss)/earnings per share attributable to owners of the Company (HK cents)	**(31.6)**	9.1	(447.3%)
Diluted (loss)/earnings per share attributable to owners of the Company (HK cents)	**(31.6)**	9.0	(451.1%)

BUSINESS REVIEW

The global economy recorded a growth of 2.4% in 2015, decreased by 0.2 percentage point from 2.6% in 2014, thus once again falling short of expectations. The slipped GDP growth of China, the second largest economy in the world, was one of the reasons to the overall deceleration. Nevertheless, the Group precisely followed its strategies and maintained a positive business performance in 2015. The annual revenue in 2015 stood at HK$1,710.9 million (for the year ended 31 December 2014: HK$1,626.0 million).

The hospitality supplies business experienced a relatively stable performance during this year whereas the retail business went through a rather tough year. In terms of the hospitality supplies business, the segment remained as the key contributor to the overall revenue of the Group. With regard to the financial returns of the retail business, the downward trend eased as a result of the stringent business strategies practiced by the Group.

Regarding the litigation of trademark infringement, the Company received the final judgement (the "Final Judgement") made by the Supreme People's Court of the PRC on 13 November 2015 regarding the defendants' appeal against the judgement (the "Judgement") received on 3 January 2014. The Final Judgement sentenced that the Group had to stop using the identifier "七色花", a term in its entirety and independently on its merchandise, website and in its marketing activities. Besides, the Group had to pay the plaintiff a total amount of Renminbi ("RMB") 1.2 million (equivalent to approximately HK$1.5 million) as damages and reasonable expenditure. Meanwhile, the Group had to bear legal costs totaling RMB46,100 (equivalent to approximately HK$57,000). Other than the above as mentioned in the Final Judgement, the Group incurred additional legal costs of RMB1.4 million (equivalent to approximately HK$1.8 million) in the court case. Accordingly, the net provisions for compensation and other related costs of approximately RMB28.3 million (equivalent to approximately HK$34.9 million) recognised during the year ended 31 December 2013 with reference to the Judgement was written back into the consolidated financial statements of the Group for the year ending 31 December 2015 with regard to the Final Judgement.

On 30 June 2015, the Group entered into seven provisional agreements to acquire six properties and a car parking space in Tsuen Wan area of Hong Kong at an aggregate consideration, excluding stamp duty, of HK$52.0 million and intends to use it as its head office. Management considered this acquisition would enable the Group to achieve rental savings, broaden the fixed asset base of the Group and provide capital appreciation potential for the Group. The transactions of the six properties and the car parking space were completed on 30 September 2015 and 15 October 2015 respectively.

Hospitality Supplies Business

According to the latest report from UN World Tourism Organisation ("UNWTO") World Tourism Barometer, the global tourism industry reached a new height in 2015, rising 4.4% to 1,184 million arrivals in 2015, representing 50 million more overnight tourists comparing to 2014. Regionally, tourist arrivals in Europe, the Americas and the Asia Pacific reported a growth of approximately 5%, followed by the Middle East which increased by 3%.

The hospitality supplies business of the Group benefited from the clear growth. In 2015, the segment achieved a revenue of HK$1,661.7 million, representing an increase of 8.6% compared to 2014. As a result of the further enhancement of cost saving strategies, the gross profit margin of this segment maintained a forward momentum. The China market remained as the key focus market and its client base was enlarged, while the hospitality business in other areas executed solid results as well.

Breaking things down, revenue from the PRC and Hong Kong were HK$513.7 million and HK$221.2 million respectively for the year ended 31 December 2015 (for the year ended 31 December 2014: HK$487.2 million and HK$177.6 million respectively), accounting for 30.9% and 13.3% of the total segment revenue respectively with respective growth rates of 5.4% and 24.5% compared to 2014, and mainly attributable to the strong sales growth in individual regions as well as orders contributed by newly developed clients and new hotels. The OS&E business, cultivated by the Group in the second half of 2014, is another financial contributor to the revenue growth in the PRC. With the existing hospitality supplies business, OS&E is positioned as an additional value added service to existing clients and it will be further introduced to clients in other regions in the future, which is expected to generate an increasing level of financial returns to the Group.

North America was valued as the second largest regional contributor to the revenue of the Group during the year 2015, with a revenue of HK$416.0 million for the year ended 31 December 2015 (for the year ended 31 December 2014: HK$396.6 million). It accounted for 25.0% of the total segment revenue, maintaining a year-on-year growth of 4.9% due to the stable clientele in this region.

Because of the different economic situations in countries in Europe, the Group registered a moderate performance from Europe, and recorded a revenue of HK$204.0 million for the year 2015 (for the year ended 31 December 2014: HK$192.5 million), accounting for 12.3% of the total segment revenue with a 6.0% growth rate compared to 2014.

Since the Group enhanced its expansion strategy and had put more efforts in Asia Pacific and Australia market, the total revenue of these two geographical segments increased from HK$269.8 million for the year ended 31 December 2014 to HK$301.3 million for the year ended 31 December 2015, accounting for 18.1% of the total segment revenue with a 11.7% growth rate compared to 2014.

Retail business

Despite the effort and the resources put in by management during the year, widening of product lines and optimising the quality and quantity of the franchisees, the sales reported by the PRC retail business (the "PRC Retail Business") during the year deteriorated significantly by 43.8% and incurred a net loss of HK$23.1 million, excluding the reversal of net provision of legal compensation. The number of the PRC retail chain outlets further dropped from 805 as at 31 December 2014 to 543 as at 31 December 2015.

The unsatisfactory performance of the PRC Retail Business was mainly due to a number of factors:

1. ***The slowdown of the retail business in the PRC***

   During the year of 2015, the overall economic environment in the PRC slowed down. Based on information published by the PRC government in January 2016, actual GDP only grew by 6.9% in 2015, which was the lowest since 1990. Based on the Economist Intelligence Unit forecast, the real GDP growth of the PRC is expected to be further narrowed down to 6.5% in 2016 and 4.7% by 2020. The retail business was also impacted by the economic slowdown.

2. ***The continuous growth of online trading business***

   While online shopping in the PRC has still hidden certain risks (e.g. low profit margin and the presence of counterfeit goods) based on a market study in August 2014, online retail penetration grew at a much stronger pace than expected in 2015 despite the fact that the PRC's overall economy was slowing down. Based on the latest market data, online sales in the PRC had grown by 31.6%, which outperformed the growth rate of total retail sales of consumer goods, creating a threat to the long term growth of the PRC Retail Business.

3. *Change of consumer spending habit of the younger generation in the PRC, which is the target customer of the PRC Retail Business*

Though the purchasing power of the Chinese is increasing, the younger generation ("Generation Z") prefers online shopping instead of purchasing through traditional retail shops. Online trading business can penetrate into this potential customer group easily through social networking media with minimal costs. Advertisements to individual customers can also be customised based on the data collected from the usage of the individual internet users. Customers can further purchase a wide variety of products with ease through the internet. In addition, Generation Z grew up in the environment of technology (internet), they feel more secured and are more confident to purchase online.

4. *Effect of the PRC litigation*

The PRC Retail Business used to be operating successfully under the brand of "七色花" before the litigation started in 2012 and the brand was well recognised in the PRC. Yet due to the prolonged litigation, the Group suspended promotion of its brand. The brand image was deteriorated. The number of franchisees dropped significantly over these years. Given retail business is easily replicated, management considered it would need significant effort to rebuild the brand image which might not be effective. Further, as the products of the PRC Retail Business were of lower end, the competition from these products would be intensive on online platform.

On 13 November 2015, the Group received the Final Judgement from the Supreme People's Court of the PRC. Based on the Final Judgement, compensation payable by the Group reduced significantly from RMB31.0 million (equivalent to approximately HK$38.2 million) to RMB1.2 million (equivalent to approximately HK$1.5 million). However, the Group was still found to have infringed the "七色花" brand and is prohibited from using the brand of "七色花" on a standalone basis going forward. The resolution of the litigation was not as satisfactory as expected. Unexpectedly, the amount of sales reported by the PRC Retail Business continued to drop after release of the Final Judgement.

Expected future market condition of the PRC Retail Business and management's latest business plans

The slowdown of the retail business in the PRC may go on as the online trading business continues to develop and increase its popularity. Generation Z in the PRC is expected to continue their spending habit to shop online. In view of the above, management had determined to lower the budget expenditure for the future development of the PRC Retail Business. As a result of the above factors, the future market condition of the PRC Retail Business is expected to be pessimistic. The Board decided to focus on the existing operation of the PRC Retail Business, instead of investing heavily to further expand the operation. In detail, various cost cutting plans on advertising and promotion expenses will be carried out, for example, ceasing to contract with pop singers as spokesperson, reducing the number of advertising and promotional events, trimming down the amount of incentives to be provided to franchisees, etc. Even though the online retail sales growth is significant, the Company may not be able to ride on the tide of internet sales as the Company has not established the electronic sale platform and does not have the relevant expertise. It would have to further invest in order to enter into the online business.

As a result of the changes and the events mentioned above, the Board re-evaluated the strategies of the Group and the business plan of the PRC Retail Business and prepared an update cashflow forecast in assessing the recoverable amount of cash-generating unit (the "CGU"). In particular, while prior year forecast had incorporated an expectation that the revenue of the PRC Retail Business would rebound after a favourable outcome released from the litigation, and be gradually back to the revenue level before the litigation, actual outcome of the litigation was not entirely satisfactory as expected. The actual performance of the PRC Retail Business does not show significant improvement after the litigation ceased. With reference to the actual performance, management revisited the annual 5-year growth rate of the forecasted revenue and reduced the forecasted growth rate significantly and considered only a marginal growth in coming 5 years.

As a result, the Group has recognised an impairment loss on goodwill of HK$331.5 million during the year ended 31 December 2015. For details of the key assumptions used for calculating the recoverable amount of the CGU, please refer to Note 9 to the consolidated financial statements.

PROSPECTS

A report issued by the World Bank states that the global economy growth rate will edge up from next year onward, reaching 2.9% in 2016 and is expected to increase to 3.1% during the period from 2017 to 2018. The uptrend is driven by the recovery of economies in major high-income countries, the stabilisation of commodity prices, and the rebalancing GDP growth in China. However, the latent downside risk is still a factor. In terms of the tourism industry, according to UNWTO, global tourism is again expected to show positive growth in 2016, with a 4% increase expected in tourist arrivals worldwide.

In terms of the hospitality supplies business, its core business position will be maintained and China is still considered as the top focus area, followed by other emerging markets in the Asia Pacific area. The Group will make ceaseless efforts to extend its customer base in other regions worldwide while expanding clientele in China. Because of the uncertain economy trend, to guarantee the revenue performance, the Group is planning to put more efforts on the development of mid-level hotel clients and enhance the promotion of orders for standardized products. In addition, the OS&E business will become another key segment and a contributor to the financial revenue of the Group. It is still in the initial stage in current year and will generate an optimistic performance in the coming years.

On one hand, the sluggish economic recovery will impact the retail industry to certain extent; on the other, the continuing rising of e-commerce presents and enhances new retail business models, cultivating and transferring consumers' shopping behaviors, which are challenging the traditional retail industry model. There is no doubt that the retail business of the Group will continue to be affected by this environment. The Group will maintain the basic operation for the retail business while actively brainstorm for possible and sophisticated strategies to improve the situation, such as business transition, merger and acquisition, or divestment plan.

The hospitality supplies business will keep growing and the Group expects that the business is going to experience another momentum of growth in 2016. Even though the growth of the retail business may be restricted and the retail business is under consideration for possible restructuring, the core segment will maintain its current performance. The Group will put more efforts on the hospitality supplies business and it is targeted to pursue a further increase in the coming year as well as continue bringing investment profits to our Shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's cash and cash equivalents amounted to HK$295.7 million (31 December 2014: HK$328.4 million).

In November 2009, the Group entered into a mortgage deed with a leading bank in Hong Kong to raise HK$64.4 million for the completion of acquisition of office premises in Central district. This facility bore interest at one month Hong Kong Inter-bank offered Rate ("HIBOR") plus 0.75% per annum or 1.75% below HK$ 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 2015, the outstanding borrowing of this facility amounted to HK$26.0 million (31 December 2014: HK$32.4 million).

In September 2015, the Group obtained a HK$ denominated mortgage loan and certain banking facilities, which bore interest at the higher of 1.7% per annum over 1 month HIBOR or the cost to the bank of funding the facilities, for acquiring certain properties in Hong Kong. These properties were pledged against the mortgage loan and certain banking facilities and included in property, plant and equipment in the consolidated financial statements of the Group, with net carrying values of HK$57.0 million as at 31 December 2015. As at 31 December 2015, the outstanding borrowing of this facility amounted to HK$30.0 million.

Details of the borrowings are set out in Note 20 to the consolidated financial statements.

The gearing ratio at 31 December 2015, calculated on the basis of borrowings over total equity, was 5.5% as compared with 2.5% at 31 December 2014.

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.

CHARGES ON GROUP ASSETS

As at 31 December 2015, certain subsidiaries of the Company pledged assets with aggregate carrying value of HK$258.9 million (31 December 2014: HK$197.6 million) to secure drawn bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments are set out in Note 34(a) to the consolidated financial statements. The Group has no material contingent liabilities as at 31 December 2015.

EMPLOYEES

As at 31 December 2015, the total number of employees of the Group was approximately 4,000 and the employee benefit expenses including directors' emoluments were approximately HK$364.1 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.

Being one of the world's leading hotel amenities suppliers, our Group actively concerns environmental protection. We are committed to building an environmentally-friendly corporation that devotes to conserving natural resources. We endeavor to minimize our environmental impact by reducing the consumption of energy and natural resources in our manufacture and design of products, saving electricity and encouraging recycle of office supplies and other materials. We choose suppliers who can meet our environmental protection requirements. We also encourage employees to switch off all computers and office equipment, electrical and air-conditioner at the end of each working day. Besides, in 2015, our Group started the cooperation with and make donation to Soup Cycling, a non-profit organization based in Hong Kong engaging in collecting, sanitizing and recycling slightly used soaps and other sanitation amenities. These life-saving items are then distributed to underprivileged families and schools in disadvantaged communities around the world, particularly Asia. Moreover, during the year, the Group has continued to develop strategies and infrastructure to monitor and manage emission contributors usage in all aspects of the facility. The Group also continues to engage in charitable activities.

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 54, 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 Chi Fai has been responsible for sales and marketing, production of our products and the formulation of the overall corporate direction and business strategies of the Group. Mr. CHING Chi Fai 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 51, is an executive Director and a member of Executive Committee. Mr. CHING Chi Keung has been responsible for human resources and administrative matters. Mr. CHING Chi Keung 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 51, is an executive Director and a member of Executive Committee. Mr. LIU has been responsible for sales and marketing since he joined the Group in May 1995. He oversees direct sales in the Greater China Region as well as the Southeast Asia markets. Mr. LIU has over 20 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.

Mr. CHING Tsun Wah, aged 34, is an executive Director and a member of the Executive Committee. He is currently 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 Tsun Wah 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 43, 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 is responsible for finance and accounting matters. He has over 20 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").

NON-EXECUTIVE DIRECTOR

Ms. CHAN Yim Ching, aged 48, is a non-executive Director. Ms. CHAN has been responsible for sales and marketing since she joined the Group in 1995 and she oversaw export sales to overseas markets when she acted as executive Director from 2007 to 2015. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUNG Kam Hung Allan, aged 61, is an independent non-executive Director. He is the chairman of the Remuneration Committee and a member of the 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.

Mr. MA Chun Fung Horace, aged 45, is an independent non-executive Director. He is the chairman of Audit Committee and a member 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 of Hong Kong Limited (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 Stock Exchange. Mr. MA was an executive director of Grand Peace Group Holdings Limited (formerly known as FAVA International Holdings Limited) and an 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 60, was appointed as an independent non-executive Director on 13 June 2013. He acted as a non-executive Director from 9 July 2007 to 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.

Mr. SUN Yung Tson Eric ("Mr. Eric SUN"), aged 40, is an independent non-executive Director. He is also a member of the Nomination Committee, the Remuneration Committee and the Audit Committee. He graduated with Bachelor degree of Commerce in the University of New South Wales, Australia in July 2000. He has been the managing director of Kin Hip Metal & Plastic Factory, Limited and KINOX Trading Limited since 2006 whom succeeded the family business from his father Mr. SUN Kai Lit Cliff ("Mr. Cliff SUN"), a former independent non-executive Director. "KINOX" is a famous international quality manufacturer of fashionable cookware, houseware, insulated beverage servers, grills and electrical appliances in household and catering industries, especially in European and American countries. Mr. Eric SUN has been involved in investing KINOX products and pioneering KINOX brand exposure in emerging markets. Mr. Eric SUN is the chairman of a brand joint venture named Hong Kong Quality Brands Alliance Limited (HKQBA) (香港名牌薈萃有限公司) where he devotes his utmost in joining force with the second and the third manufacturers' generations with the aims of enhancing local brand exposure. Mr. Eric SUN is the honorary and founding president of Youth Executive Council (青年委員會) of Federation of Hong Kong Industries (香港工業總會) ("FHKI") which aimed to facilitate communication platform for expertise exchange among young industrialists. His effort on social responsibility in FHKI also dedicates to his positions of vice chairman (Group 15) of FHKI Hong Kong Plastics Industry Council (香港塑膠業協會), committee member of FHKI Hong Kong Q-Mark Council (香港優質標誌局) and committee member of FHKI Pearl River Delta Council (珠三角工業協會). Mr. Eric SUN is the chairman of Hong Kong Plastics Manufacturers Association Limited (香港塑膠業廠商會有限公司) and the general committee member of The Hong Kong Exporters' Association (香港出口商會). Mr. Eric SUN practices active roles in different public services in both Hong Kong and China.

SENIOR MANAGEMENT

Ms. CHAN Yick Ning, aged 53, 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 founder 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 2015.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the supply and manufacture of quality amenity products and accessories to internationally recognised or branded operators, and distribution and retail of the cosmetics products and fashion accessories in the PRC. The Company acts as an investment holding company. Details of the principal activities of each subsidiary of the Group are set forth in Note 28 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2015 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 51 to 120 of this report.

An interim dividend of HK2.0 cents per share of the Company (the "Share") for the six months ended 30 June 2015, amounting to a total of approximately HK$14,100,000 was paid on 9 October 2015.

The Directors recommend the payment of a final dividend of HK3.0 cents per Share for the year ended 31 December 2015. Subject to the approval by the Shareholders at the AGM to be held on 26 May 2016, the final dividend will be paid on or around 14 June 2016 to the Shareholders whose names appear on the register of members of the Company on 3 June 2016. A sum of the interim and final dividends of 2015 is expected to be HK5.0 cents per Share (2014: HK4.5 cents per Share).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 1 June 2016 to Friday, 3 June 2016 (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 Tuesday, 31 May 2016.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the "Chairman's Statement" and "Management Discussion and Analysis" on pages 6 to 9 and pages 10 to 21 respectively of this report.

Analysis of key financial performance indicators

For details of the key financial performance indicators to the performance the Group's business, please refer to "Five Years Financial Summary" on page 5 of this report.

Principal risks and uncertainties facing the Group

Risks pertaining to the reliance on direct sales customers and distributors for the sale of products

Our hospitality products are sold either by direct sales to our customers of mainly hotels and airline operators or to distributors supplying other end-users. There is no assurance that such customers will continue to purchase or maintain their purchase volumes of our products in the future. In addition, there is no assurance that we will be able to maintain business relationship with our customers. In the event that any of our customers ceases to purchase from us or reduces the purchase volume of orders placed with us and we are unable to obtain replacement orders, our business and profitability may be adversely affected.

Risks pertaining to raw material price fluctuations

The principal raw materials used in our production may be subject to substantial price volatility and periodic shortages caused by external conditions, such as fluctuations in commodity prices and foreign exchange. There is no guarantee that raw material costs will be stable in the future. To the extent that we are unable to cover any increased raw material costs by either reductions in other production costs or increases in our product prices, our profits will be adversely affected.

Operation risks

The operation of the Group is subject to a number of risk factors distinctive to the respective markets. Default on the part of the Group's customers, distributors, suppliers and business partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to finance loss, litigation or damage in reputation.

Market risks

The Group is also subject to market risks such as currency fluctuations, volatility of interest rates, credit risks and liquidity risks in the normal course of the Group's businesses. Particulars of financial risk management of the Group are set out in Note 3 to the consolidated financial statements.

Risks relating to compliance with laws and regulations

We are required to comply with all relevant laws and regulations promulgated by the governments of the respective jurisdictions. There is no assurance that the existing laws and regulations will not be changed or additional or more stringent requirement will not be imposed, compliance with which may cause us to incur significant expenditure. Moreover, if we fail to comply with the present or future laws and regulations, we may be required to pay substantial fines, suspend production or cease operations. Consequently, our financial condition, business and reputation may be adversely affected.

Compliance with laws and regulations

The Group strives to enhance governance, promote employee benefits and development, protect the environment, fulfill social responsibility in order to achieve sustainable growth. The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

Environmental policies and performance

The Group's environmental policies and performance was set out in the "Corporate Social Responsibility" section on pages 20 to 21.

Key relationships with employees, customers and suppliers

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group maintains working relationships with suppliers to meet our customers' needs in an effective and efficient manner. Our departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers.

The Group values the views and opinions of all customers through various means and channels to understand customer trends and needs and regular analyzes on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save and except for the share option scheme (the "Share Option Scheme") (described on pages 35 to 37), 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.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme described on pages 35 to 37, the Group has not entered into any equity-linked agreements during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. There is appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

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 5.

SHARES AND DEBENTURES

Details of the shares of the Company issued in the year ended 31 December 2015 are set out in Note 19 to the consolidated financial statements.

The Group did not issue any debentures during the year.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity on page 54 and Note 17 to the consolidated financial statements respectively.

As at 31 December 2015, distributable reserves of the Company amounted to approximately HK$881,618,000.

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 2015, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the listed securities of the Company.

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
Mr. CHING Tsun Wah
Mr. KEUNG Kwok Hung

Non-executive Directors
Ms. CHAN Yim Ching (re-designated from executive Director to non-executive Director on 27 August 2015)
Mr. LEE King Hay (retired on 21 May 2015)

Independent non-executive Directors
Mr. HUNG Kam Hung Allan
Mr. MA Chun Fung Horace
Mr. NG Bo Kwong
Mr. SUN Yung Tson Eric (appointed on 29 March 2016)
Mr. SUN Kai Lit Cliff *BBS, JP* (retired on 29 March 2016)

In accordance with article 114 of the Company's Articles of Association, Mr. Eric SUN shall retire at the AGM and, being eligible, shall offer himself for re-election. In accordance with article 130 of the Company's Articles of Association, Mr. CHING Chi Fai, Mr. CHING Chi Keung and Mr. HUNG Kam Hung Allan shall retire at the AGM and being eligible, shall offer themselves for re-election.

On 21 May 2015, Mr. LEE King Hay retired by rotation as non-executive Director at the annual general meeting of the Company and did not seek for re-election due to his family commitment.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors (including Mr. Cliff SUN who retired on 29 March 2016) 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").

The Company considers Mr. HUNG Kam Hung Allan, Mr. MA Chun Fung Horace and Mr. NG Bo Kwong independent.

Independence of Mr. Eric SUN and Reasons for his Appointment

Mr. Cliff SUN, who has been appointed as an independent non-executive Director on 9 July 2007, has served the Group for more than 8 years and is now 62 years old. Mr. Cliff SUN would like to devote more time with his family members and so retired and resigned as an independent non-executive Director. Mr. Eric SUN was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee to replace Mr. Cliff SUN and fill the vacancy on 29 March 2016 (the "Appointment").

The Board considers that the Appointment is beneficial to the Group for the following reasons:

1. The Group is principally engaged in manufacturing and sales of amenity products and accessories and the distribution and retail business of cosmetics and fashion accessories in the PRC. Mr. Eric SUN is the managing director of Kin Hip Metal & Plastic Factory, Limited and KINOX Trading Limited where "KINOX" is a famous international quality manufacturer of fashionable cookware, houseware, insulated beverage servers, grills and electrical appliances in household and catering industries, especially in European and American countries. Mr. Eric SUN is familiar with the business sector in which the Group is principally engaged and is equipped with himself relevant business knowledge. Thus, based on the working experience of Mr. Eric SUN together with his social background as set out in his biography on page 24 of this report, Mr. Eric SUN has the requisite character, integrity and experience to fulfill his role as an independent non-executive Director;

2. Mr. Cliff SUN who has served the Group for more than 8 years is familiar with his role as the independent non-executive Director and the Listing Rules. With extensive experience and knowledge as an independent non-executive Director, he will be able to assist his son Mr. Eric SUN in fulfilling the requirements as the independent non-executive Director (including the fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law) and in complying with the Listing Rules; and

3. Mr. Eric SUN is the son of Mr. Cliff SUN whom has been known by other Directors for many years, the management and operation of the Group will not be affected by the change of directorship.

Notwithstanding his relationship with Mr. Cliff SUN, the Board considers Mr. Eric SUN is independent for the following reasons:

Save that Mr. Eric SUN is only connected with the former independent non-executive Director, namely Mr. Cliff SUN, both Mr. Cliff SUN and Mr. Eric SUN have met the requirements of independence as set out in Rule 3.13 of the Listing Rules. Save as disclosed, Mr. Eric SUN is not and was not connected with any of the Director, the chief executive or a substantial shareholder of the Company within two years immediately prior to the date of the Appointment. Therefore, the Board considers that Mr. Eric SUN is also independent and his independence shall not be affected by reason of only being the son of Mr. Cliff SUN who was a former independent non-executive Director.

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' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company, its parent company, its subsidiaries or fellow subsidiaries were a party and in which a Director or his connected entities had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Other than Directors' service contracts and employment contracts with the Group's senior management in full-time employment, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2015.

CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2015 is contained in Note 35 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' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, 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	23.41%
	Personal *(Notes 2 & 14)*	15,444,000	2.19%
Mr. CHING Chi Keung	Corporate *(Note 3)*	32,499,600	4.61%
	Personal *(Notes 4 & 14)*	4,000,000	0.57%
Mr. LIU Zigang	Corporate *(Note 5)*	20,057,200	2.84%
	Personal *(Notes 6 & 14)*	4,000,000	0.57%
Mr. CHING Tsun Wah	Personal *(Notes 7 & 14)*	3,168,930	0.45%
	Family *(Note 8)*	775,000	0.11%
Mr. KEUNG Kwok Hung	Personal *(Notes 9 & 14)*	1,158,000	0.16%
Ms. CHAN Yim Ching	Corporate *(Note 3)*	32,499,600	4.61%
	Personal *(Notes 10 & 14)*	3,300,000	0.47%
	Family *(Note 11)*	194,000	0.03%
Mr. HUNG Kam Hung Allan	Personal *(Notes 12 & 14)*	600,000	0.09%
Mr. MA Chun Fung Horace	Personal	600,000	0.09%
Mr. NG Bo Kwong	Personal	600,000	0.09%
Mr. SUN Kai Lit Cliff	Personal *(Notes 13 & 14)*	600,000	0.09%

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 14,844,000 Shares and options to subscribe for 600,000 Shares.

3. These Shares were owned by Targetwise Trading Limited, 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. These Shares were owned by Favour Power Limited, which was wholly-owned by Mr. LIU Zigang.

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

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

8. 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.

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

10. Ms. CHAN Yim Ching held options to subscribe for 3,300,000 Shares.

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

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

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

14. As at 31 December 2015, outstanding 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
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
	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
	04-09-2012	09-09-2013 to 08-09-2021	0.62	579,000
Ms. CHAN Yim Ching	04-09-2012	04-09-2012 to 22-06-2019	0.62	1,300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000
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. SUN Kai Lit Cliff	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000

Save as disclosed above, as at 31 December 2015, 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.

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 2015 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)*	23.41%
Ms. LO Kit Ling	Family interest	180,610,600 *(Note 1)*	25.60%
Ms. PO Fung Kiu	Family interest	36,499,600 *(Note 2)*	5.17%
Mr. LEE King Keung	Personal and family interest	35,993,600 *(Note 3)*	5.10%
Mr. David Michael WEBB	Beneficial owner and interest of controlled corporation	56,435,000 *(Note 4)*	8.00%

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 14,844,000 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 180,610,600 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 beneficially held 194,000 Shares. Mr. LEE, being Ms. CHAN Yim Ching's spouse, was deemed to be interested in the 35,799,600 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 35,993,600.

4. 37,581,000 Shares were held by Preferable Situation Assets Limited, which is wholly-owned by Mr. David Michael WEBB who also beneficially owned 18,854,000 Shares.

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. Movements on the share options during the year as follows:

				Number of share options					
Grantee	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2015
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
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	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	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
Ms. CHAN Yim Ching	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	—	(700,000)	—	—	1,300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	—	—	—	—	2,000,000
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	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000	—	(300,000)	—	—	—
Chun 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)	—	—	—
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
Employees									
In aggregate	04-09-2012	04-09-2012 to 22-06-2019	0.62	3,382,500	—	(250,000)	—	—	3,132,500
	04-09-2012	23-06-2013 to 22-06-2019	0.62	5,039,500[1]	—	(194,000)	—	—	4,845,500
	04-09-2012	09-09-2012 to 08-09-2021	0.62	4,921,000[2]	—	(658,000)	—	(100,000)	4,163,000[2]
	04-09-2012	09-09-2013 to 08-09-2021	0.62	4,971,000[2]	—	(150,000)	—	(100,000)	4,721,000[2]
	04-09-2012	04-09-2013 to 03-09-2022	0.62	1,050,500	—	—	—	—	1,050,500
	04-09-2012	04-09-2014 to 03-09-2022	0.62	1,162,500	—	—	—	—	1,162,500
Total				**40,860,000**	**—**	**(6,852,000)**	**—**	**(200,000)**	**33,808,000**

Notes:

1. Included in employees of the Group were 194,000 options granted to Mr. LEE King Keung, being the spouse of Ms. CHAN Yim Ching, a non-executive Director (she was re-designated from executive Director to non-executive Director on 27 August 2015).

2. Included in employees of the Group were 387,500 options granted to Ms. SO Wai Yin Tracy, being spouse of Mr. CHING Tsun Wah, an executive Director.

3. The weighted average closing price immediately before the date on which the options were exercised for the year ended 31 December 2015 was HK$0.95 per share (for the year ended 31 December 2014: HK$0.83 per share).

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.

(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 33,508,000 which represents approximately 4.75% 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 2015 attributable to the Group's major customers and suppliers are as follows:

Sales	
— the largest customer	5.2%
— five largest customers combined	23.0%
Purchases	
— largest supplier	9.5%
— five largest suppliers combined	19.9%

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 2015.

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.

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$49,000.

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, 29 March 2016

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 2015, 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 2015, 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
Mr. CHING Tsun Wah
Mr. KEUNG Kwok Hung

Non-executive Directors
Ms. CHAN Yim Ching (re-designated from executive Director to non-executive Director on 27 August 2015)
Mr. LEE King Hay (retired on 21 May 2015)

Independent non-executive Directors
Mr. HUNG Kam Hung Allan
Mr. MA Chun Fung Horace
Mr. NG Bo Kwong
Mr. SUN Yung Tson Eric (appointed on 29 March 2016)
Mr. SUN Kai Lit Cliff *BBS, JP* (retired on 29 March 2016)

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 2015 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	—	2/2	1/1	1/1
Mr. CHING Chi Keung	4/4	—	—	—	1/1
Mr. LIU Zigang	3/4	—	—	—	1/1
Mr. CHING Tsun Wah	4/4	—	—	—	1/1
Mr. KEUNG Kwok Hung	4/4	—	—	—	1/1
Non-executive Directors					
Ms. CHAN Yim Ching (re-designated from executive Director to non-executive Director on 27 August 2015)	4/4	—	—	—	1/1
Mr. LEE King Hay (retired on 21 May 2015)	1/1	—	—	—	1/1
Independent non-executive Directors					
Mr. HUNG Kam Hung Allan	4/4	2/2	2/2	—	1/1
Mr. MA Chun Fung Horace	4/4	2/2	2/2	1/1	1/1
Mr. NG Bo Kwong	4/4	2/2	2/2	—	1/1
Mr. SUN Kai Lit Cliff (retired on 29 March 2016)	4/4	2/2	2/2	1/1	1/1

Each of the Directors (including non-executive Directors and independent non-executive Directors) has 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. Eric SUN, an independent non-executive Director, was appointed on 29 March 2016 for a period ending on 20 September 2017 under the letter of appointment and he will retire at the AGM and, being eligible, offer himself 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, namely Mr. MA Chun Fung Horace, Mr. HUNG Kam Hung Allan, Mr. NG Bo Kwong and Mr. Cliff SUN (retired on 29 March 2016), 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. Eric SUN was appointed as an independent non-executive Director and a member of the Nomination Committee, the Remuneration Committee and the Audit Committee on 29 March 2016. He is the son of Mr. Cliff SUN, a former independent non-executive Director. The independence of Mr. Eric SUN and the reasons for his Appointment are set out on page 29 in the Directors' Report.

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 2015, 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.

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 2015.

BOARD COMMITTEES

The Board has established the following committees:

- Executive Committee;
- Audit Committee;
- Remuneration Committee;
- Nomination Committee; and
- Investment Committee.

EXECUTIVE COMMITTEE

The members of the Executive Committee are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang, 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.

Four meetings were held by the Executive Committee during the year ended 31 December 2015.

AUDIT COMMITTEE

The members of the Audit Committee are Mr. MA Chun Fung Horace, Mr. HUNG Kam Hung Allan, Mr. NG Bo Kwong, Mr. Eric SUN (appointed on 29 March 2016) and Mr. Cliff SUN (retired on 29 March 2016) (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 judgements, in particular, to focus on any changes in accounting policies and practices;
- to ensure that management has performed its duty to have effective risk management and internal control systems and to consider any major investigations findings on risk management and 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.

During the year ended 31 December 2015, 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 risk management and internal control systems of the Group involving financial, operational and compliance control.

Two meetings were held by the Audit Committee during the year ended 31 December 2015.

REMUNERATION COMMITTEE

The members of the Remuneration Committee are Mr. CHING Chi Fai, Mr. MA Chun Fung Horace, Mr. HUNG Kam Hung Allan, Mr. NG Bo Kwong, Mr. Eric SUN (appointed on 29 March 2016) and Mr. Cliff SUN (retired on 29 March 2016) (save that Mr. CHING Chi Fai is an executive Director, all other Directors 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 recommend the adjustments of remuneration of Directors;
- 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; and
- considered and recommended the director's fee of Ms. CHAN Yim Ching, who was re-designated from an executive Director to a non-executive Director on 27 August 2015.

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

Two meetings were held by the Remuneration Committee during the year ended 31 December 2015.

The remuneration of senior management by band for the year ended 31 December 2015 is as follows:

	Number of Individuals 2015
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, Mr. MA Chun Fung Horace, Mr. Eric SUN (appointed on 29 March 2016) and Mr. Cliff SUN (retired on 29 March 2016) (save that Mr. CHING Chi Fai is an executive Director, all other Directors are independent non-executive Directors). 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 2015 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; and
- to consider and recommend the re-designation of Ms. CHAN Yim Ching from an executive Director to a non-executive Director on 27 August 2015.

One meeting was held by the Nomination Committee during the year ended 31 December 2015.

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.

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	✓	—
Mr. CHING Tsun Wah	✓	—
Mr. KEUNG Kwok Hung	✓	✓
Non-executive Director		
Ms. CHAN Yim Ching	✓	—
Independent non-executive Directors		
Mr. HUNG Kam Hung Allan	✓	—
Mr. MA Chun Fung Horace	✓	✓
Mr. NG Bo Kwong	✓	—
Mr. SUN Kai Lit Cliff	✓	✓

BOARD DIVERSITY POLICY

The Board has 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 risk management and internal control systems 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 2015, the Board has conducted a review of the effectiveness of risk management and internal control systems of the Group and is satisfied with the scope and effectiveness of the systems.

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.

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 2015, 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 judgements 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.

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 49 to 50 of this report.

AUDITOR'S REMUNERATION

The external auditor of the Company is PricewaterhouseCoopers. For the year ended 31 December 2015, the fees payable by the Company to the external auditor are listed as below:

- HK$2,900,000 for the performance of audit services; and
- HK$161,000 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 the 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, 29 March 2016

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 set out on pages 51 to 120, which comprise the consolidated balance sheet as at 31 December 2015, 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.

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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2016

Consolidated Balance Sheet

As at 31 December

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Goodwill	*9(a)*	**—**	347,248
Land use rights	*6*	**41,740**	18,365
Property, plant and equipment	*7*	**279,663**	209,744
Investment properties	*8*	**207,104**	207,554
Intangible assets	*9(b)*	**2,805**	13,283
Long-term prepayments	*14*	**6,366**	22,393
Investment in an associated company		**1,111**	982
Investments in joint ventures		**213**	649
Deferred income tax assets	*10*	**7,602**	8,192
Total non-current assets		**546,604**	828,410
Current assets			
Inventories	*11*	**209,439**	213,028
Trade and bills receivables	*12*	**478,655**	448,732
Amount due from an associated company	*13*	**8,627**	4,286
Amounts due from joint ventures		**35**	30
Prepaid tax		**17**	436
Deposits, prepayments and other receivables	*14*	**46,756**	62,464
Restricted cash	*15*	**35,819**	37,515
Cash and cash equivalents	*16*	**295,693**	328,410
Total current assets		**1,075,041**	1,094,901
Total assets		**1,621,645**	1,923,311
EQUITY			
Equity attributable to owners of the Company			
Share capital	*19*	**7,054**	6,986
Share premium	*19*	**595,679**	591,499
Other reserves	*17*	**407,108**	691,874
Proposed final dividend	*32*	**21,173**	20,958
		1,031,014	1,311,317
Non-controlling interests		**(19,636)**	(14,925)
Total equity		**1,011,378**	1,296,392

The notes on pages 56 to 120 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December

	Note	2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*20*	**19,439**	25,971
Deferred income tax liabilities	*10*	**2,740**	5,555
Total non-current liabilities		**22,179**	31,526
Current liabilities			
Current portion of long-term bank borrowings	*20*	**36,539**	6,473
Trade payables	*21*	**240,540**	252,563
Accruals and other payables	*22*	**288,447**	304,955
Current income tax liabilities		**9,917**	20,837
Loans from non-controlling interests	*23*	**12,587**	10,526
Amount due to a joint venture		**14**	—
Dividends payable		**44**	39
Total current liabilities		**588,088**	595,393
Total liabilities		**610,267**	626,919
Total equity and liabilities		**1,621,645**	1,923,311

The financial statements on page 51 to 120 were approved by the Board of Directors on 29 March 2016 and were signed on its behalf.

CHING Chi Fai
Director

CHING Tsun Wah
Director

The notes on pages 56 to 120 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Note	2015 HK$'000	2014 HK$'000
Revenue	*5*	**1,710,885**	1,626,016
Cost of sales	*24*	**(1,293,015)**	(1,235,497)
Gross profit		**417,870**	390,519
Distribution costs	*24*	**(185,248)**	(196,900)
Administrative expenses	*24*	**(138,138)**	(125,742)
Other income	*25*	**10,583**	8,035
Reversal of net provision for legal compensation	*31*	**34,905**	—
Impairment of intangible asset	*9(b), 31*	**(7,764)**	—
Impairment of goodwill	*9(a)*	**(331,545)**	—
Operating (loss)/profit		**(199,337)**	75,912
Finance income	*27*	**832**	2,239
Finance costs	*27*	**(507)**	(408)
Share of profit of an associated company		**149**	255
Share of losses of joint ventures		**(436)**	(382)
Fair value gains on investment properties	*8*	**—**	600
(Loss)/profit before income tax		**(199,299)**	78,216
Income tax expenses	*29*	**(26,839)**	(19,483)
(Loss)/profit for the year		**(226,138)**	58,733
Other comprehensive (loss)/income			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Currency translation differences		**(27,413)**	(13,539)
Realisation of exchange reserve upon disposal and dissolution of subsidiaries		**4**	(210)
Total comprehensive (loss)/income for the year		**(253,547)**	44,984
(Loss)/profit attributable to:			
Owners of the Company		**(221,864)**	63,264
Non-controlling interests		**(4,274)**	(4,531)
		(226,138)	58,733
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(249,350)**	49,578
Non-controlling interests		**(4,197)**	(4,594)
		(253,547)	44,984
(Loss)/earnings per share attributable to owners of the Company (expressed in HK cents)			
— Basic	*30(a)*	**(31.6)**	9.1
— Diluted	*30(b)*	**(31.6)**	9.0
Dividends			
Interim dividend paid		**14,100**	10,474
Proposed final dividend		**21,173**	20,958
		35,273	31,432

The notes on pages 56 to 120 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December

	Attributable to owners 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 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	—	—	(13,955)	(13,955)	—	(13,955)
Interim dividend relating to 2014	—	—	(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 19)*	9	564	—	573	—	573
Share-based compensation *(Note 18)*	—	—	65	65	—	65
Balance at 31 December 2014	6,986	591,499	712,832	1,311,317	(14,925)	1,296,392
Balance at 1 January 2015	**6,986**	**591,499**	**712,832**	**1,311,317**	**(14,925)**	**1,296,392**
Comprehensive loss						
Loss for the year	**—**	**—**	**(221,864)**	**(221,864)**	**(4,274)**	**(226,138)**
Other comprehensive loss						
Currency translation differences	**—**	**—**	**(27,490)**	**(27,490)**	**77**	**(27,413)**
Realisation of exchange reserve upon dissolution of a subsidiary	**—**	**—**	**4**	**4**	**—**	**4**
Total comprehensive loss	**—**	**—**	**(249,350)**	**(249,350)**	**(4,197)**	**(253,547)**
Final dividend relating to 2014 *(Note 32)*	**—**	**—**	**(21,101)**	**(21,101)**	**—**	**(21,101)**
Interim dividend relating to 2015 *(Note 32)*	**—**	**—**	**(14,100)**	**(14,100)**	**—**	**(14,100)**
Dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**(340)**	**(340)**
Exercise of share options *(Note 19)*	**68**	**4,180**	**—**	**4,248**	**—**	**4,248**
Dissolution of a subsidiary	**—**	**—**	**—**	**—**	**(174)**	**(174)**
Balance at 31 December 2015	**7,054**	**595,679**	**428,281**	**1,031,014**	**(19,636)**	**1,011,378**

The notes on pages 56 to 120 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December

	Note	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Cash generated from operations	*33(a)*	**143,385**	86,567
Interest paid	*27*	**(507)**	(408)
Income tax paid		**(39,148)**	(39,542)
Net cash generated from operating activities		**103,730**	46,617
Cash flows from investing activities			
Purchase of property, plant and equipment		**(103,198)**	(35,535)
Purchase of land use rights		**(25,690)**	(1,420)
Purchase of intangible assets		**(809)**	(298)
Proceeds from disposal of property, plant and equipment	*33(b)*	**537**	461
Interest received	*27*	**832**	2,239
Dividends received from an associated company		**20**	24
Net cash outflows arising from disposal of subsidiaries		**(510)**	(623)
Net cash used in investing activities		**(128,818)**	(35,152)
Cash flows from financing activities			
Proceeds from borrowings	*33(c)*	**30,800**	2,214
Repayments of borrowings	*33(c)*	**(7,266)**	(8,627)
Dividends paid to owners of the Company		**(35,196)**	(24,418)
Capital injection from non-controlling interests		**—**	100
Proceeds from loans from non-controlling interests	*33(c)*	**2,061**	4,528
Repayments of loans to non-controlling interests	*33(c)*	**—**	(523)
Proceeds from exercise of share options	*19*	**4,248**	573
Net cash used in financing activities		**(5,353)**	(26,153)
Net decrease in cash and cash equivalents		**(30,441)**	(14,688)
Cash and cash equivalents at the beginning of the year		**328,410**	343,800
Exchange losses on cash and cash equivalents		**(2,276)**	(702)
Cash and cash equivalents at the end of the year	*16*	**295,693**	328,410

The notes on pages 56 to 120 are an integral part of these 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").

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 29 March 2016.

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 all applicable 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 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.

(b) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to HKAS 19 "Employee benefits" on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amendments from annual improvements to HKFRSs — 2010–2012 Cycle, on HKFRS 8, "Operating segments", HKAS 16, "Property, plant and equipment" and HKAS 38, "Intangible assets" and HKAS 24, "Related party disclosures".

Amendments from annual improvements to HKFRSs — 2011–2013 Cycle, on HKFRS 3, "Business combinations", HKFRS 13, "Fair value measurement" and HKAS 40, "Investment property".

The adoption of the improvements made in the 2010–2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirement of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosure of certain information in the consolidated financial statements.

(d) 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 2015 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 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 or 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New standards and interpretations not yet adopted (Continued)

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.

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. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRSs 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.

(e) 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 applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary 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 net assets. Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiaries (Continued)

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.

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 in profit or loss. 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 previously 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 unless the transaction provides evidence of an impairment of the transferred asset, when necessary, amounts reported by subsidiaries have been adjusted to conform with Group's accounting policies.

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

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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.

(g) Associated company

Associated companies are all entities 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 associated companies are 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 associated companies 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 companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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.

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. Accounting policies of the joint ventures have been changed where necessary consistency with the policies adopted by the Group.

(i) 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.

(j) 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.

(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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign currency translation (Continued)

(iii) Group companies (Continued)

— 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 currency translation differences are recognised in other comprehensive income.

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. Currency translation differences arising are recognised in other comprehensive income.

(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 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.

(k) 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 other 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Property, plant and equipment (Continued)

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 value 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.

(l) 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.

(m) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Investment properties (Continued)

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.

(n) 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 cash-generating units ("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 the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(o) Intangible assets

(i) Trademarks, club debentures and software licences

Separately acquired trademarks, investment in club debentures and software licences 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 licences 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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 (CGUs). 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 or associated company 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.

(q) 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 the amounts that are settled or expected to be settled more 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 associate company, amounts due from joint ventures, deposits and other receivables, restricted cash and cash and cash equivalents in the consolidated balance sheet.

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.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

(s) 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.

(t) 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.

(u) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

(w) 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.

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 consolidated financial statement. 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 only 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 liabilities are provided on temporary differences arising on investments in subsidiaries, 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 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 taxes 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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 annual leave and 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Employee benefits (Continued)

(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).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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.

(y) 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.

(z) 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Revenue recognition (Continued)

(ii) Rental income

Rental income from investment properties is recognised in the consolidated statement of comprehensive income 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.

(aa) 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 incentive received from the lessor) are expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(ab) 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, net of tax, from the proceeds.

(ac) Dividend distribution

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

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

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 2015, if HK$ had strengthened/weakened by 5% against the RMB, with all other variables held constant, post-tax loss for the year would have been approximately HK$1,826,000, lower or higher (for the year ended 31 December 2014: HK$2,529,000, higher or lower), mainly as a result of foreign exchange differences on translation of RMB denominated net payables.

At 31 December 2015, if RMB had strengthened/weakened by 5% against the US$, with all other variables held constant, post-tax loss for the year would have been approximately HK$12,137,000, lower or higher (for the year ended 31 December 2014: HK$11,628,000, higher or lower), mainly as a result of foreign exchange differences on translation of US$ denominated net payables.

(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 20 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 loss of a 200 basis-point shift would be a maximum decrease/increase of HK$800,000 (for the year ended 31 December 2014: post-tax profit would increase/decrease of HK$1,901,000) for the year ended 31 December 2015.

(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, except for 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

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.

The table below shows the credit limit and balance of the five major debtors at 31 December 2015 and 31 December 2014.

	As at 31 December			
	2015		2014	
	Credit limit	**Utilised**	Credit limit	Utilised
Counterparty	**HK$'000**	**HK$'000**	HK$'000	HK$'000
A	**36,000**	**17,931**	36,000	21,791
B	**30,000**	**28,311**	26,000	23,127
C	**27,000**	**22,033**	27,000	17,061
D	**22,000**	**18,231**	22,000	19,964
E	**17,000**	**5,364**	17,000	16,232
F	**15,000**	**12,308**	15,000	4,576

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

	As at 31 December	
	2015	2014
	HK$'000	HK$'000
Trade and bills receivables		
Customers accepted within the past 12 months	**19,733**	19,557
Customers accepted beyond the past 12 months	**241,187**	233,247
Total	**260,920**	252,804

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	
	2015	2014
	HK$'000	HK$'000
Cash and cash equivalents		
Cash at banks and bank deposits		
Listed financial institutions	**277,484**	291,510
Unlisted financial institutions	**16,945**	35,769
	294,429	327,279
Cash on hand	**1,264**	1,131
Total	**295,693**	328,410
Restricted cash		
Listed financial institution	**35,819**	37,515

(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 funding's by keeping sufficient cash.

As at 31 December 2015, the cash and cash equivalents of the Group approximated HK$295,693,000 (31 December 2014: HK$328,410,000).

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Specifically, as at 31 December 2015, for bank loans which contained a repayment on demand clause which could be exercised at the banks' sole discretion, the balances had been reclassified as current liabilities. The analysis shows the cash outflow based on agreed scheduled repayments set out in the loan agreements, while interest payments are computed using contractual rates.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

	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 2015					
Borrowings	**39,207**	**6,758**	**12,967**	**—**	**58,932**
Trade payables	**240,540**	**—**	**—**	**—**	**240,540**
Accruals and other payables	**161,815**	**—**	**—**	**—**	**161,815**
Loans from non-controlling interests	**12,587**	**—**	**—**	**—**	**12,587**
Amount due to a joint venture	**14**	**—**	**—**	**—**	**14**
Dividends payable	**44**	**—**	**—**	**—**	**44**
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

(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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

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	
	2015	2014
	HK$'000	HK$'000
Borrowings	**55,978**	32,444
Total equity	**1,011,378**	1,296,392
Gearing ratio	**5.5%**	2.5%

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 2015, the Group maintains cash and cash equivalents of approximately HK$295,693,000 (31 December 2014: approximately HK$328,410,000) 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, amount due from an associated company, amounts due from joint ventures, borrowings, trade payables, dividends payable, amount due to a joint venture, accruals and other payables 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 at 31 December 2015.

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 addresses below.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

Estimated impairment of goodwill and other intangible assets (Continued)

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

(b) Critical judgements

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.

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 (loss)/profit before income tax, share of profit of an associated company, share of losses of joint ventures, reversal of net provision for legal compensation, impairment of intangible asset and impairment of goodwill.

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 from external customers. 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 2015													
Segment revenue	416,009	204,021	530,240	221,254	43,581	257,768	5,411	1,678,284	53,556	501	54,057	—	1,732,341
Inter-segment revenue	—	—	(16,521)	(88)	—	—	—	(16,609)	(4,660)	(187)	(4,847)	—	(21,456)
Revenue from external customers	416,009	204,021	513,719	221,166	43,581	257,768	5,411	1,661,675	48,896	314	49,210	—	1,710,885
Earnings/(loss) before interest, taxes, depreciation, amortisation and impairment of intangible asset, impairment of goodwill, reversal of net provision for legal compensation and impairment of property, plant and equipment	61,699	20,936	26,167	23,938	1,370	29,733	769	164,612	(19,233)	(3,605)	(22,838)	6,685	148,459
Impairment of property, plant and equipment *(Note 7)*	—	—	—	—	—	—	—	—	—	—	—	(4,214)	(4,214)
Depreciation	(6,803)	(3,337)	(8,402)	(3,617)	(713)	(4,215)	(88)	(27,175)	(1,880)	(348)	(2,228)	(5,958)	(35,361)
Amortisation	(421)	(206)	(519)	(224)	(44)	(261)	(5)	(1,680)	(1,955)	(78)	(2,033)	(104)	(3,817)
Finance income	—	—	668	144	—	1	—	813	2	—	2	17	832
Finance costs	—	—	(34)	(52)	—	(39)	—	(125)	—	—	—	(382)	(507)
Segment profit/(loss) before income tax	54,475	17,393	17,880	20,189	613	25,219	676	136,445	(23,066)	(4,031)	(27,097)	(3,956)	105,392
Share of profit of an associated company													149
Share of losses of joint ventures													(436)
Reversal of net provision for legal compensation *(Note 31)*													34,905
Impairment of intangible asset *(Notes 9(b) & 31)*													(7,764)
Impairment of goodwill *(Note 9(a))*													(331,545)
Income tax expenses													(26,839)
Loss for the year													(226,138)

	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 2015											
Total assets	948,916	634,252	1,589	34,383	1,619,140	67,192	8,599	75,791	319,902	(393,188)	1,621,645
Include:											
Investment in an associated company	—	1,111	—	—	1,111	—	—	—	—	—	1,111
Investments in joint ventures	—	—	—	213	213	—	—	—	—	—	213
Additions to non-current assets (other than deferred income tax assets)	85,901	590	—	847	87,338	3,291	—	3,291	57,601	—	148,230
Total liabilities	403,305	158,800	36	3,399	565,540	118,836	58,167	177,003	260,912	(393,188)	610,267

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 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 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

	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)

Notes:

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

(ii) Others mainly include South Africa and Morocco.

(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.

6 LAND USE RIGHTS

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

	2015	2014
	HK$'000	HK$'000
At 1 January	**18,365**	17,834
Additions	**25,690**	1,420
Amortisation *(Note 24)*	**(711)**	(488)
Exchange differences	**(1,604)**	(401)
At 31 December	**41,740**	18,365

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

	2015	2014
	HK$'000	HK$'000
Cost of sales	**89**	59
Distribution costs	**518**	106
Administrative expenses	**104**	323
	711	488

As at 31 December 2015, certain land use rights of aggregate net carrying value of approximately HK$1,921,000 (31 December 2014: HK$2,071,000) were pledged as securities for an undrawn banking facility of the Group (Note 20).

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 2014								
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 33(b))*	—	—	—	—	—	(12)	(662)	(674)
Disposal of a subsidiary	—	—	—	—	(82)	—	(2,220)	(2,302)
Depreciation *(Note 24)*	(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)

	Land HK$'000	Buildings HK$'000	Leasehold improve-ments HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2015									
Opening net book amount	2,861	85,370	31,985	6,937	4,972	3,046	74,573	—	209,744
Additions *(Note (i))*	31,652	55,010	2,629	1,439	815	820	25,793	1,453	119,611
Disposals *(Note 33(b))*	—	—	—	—	(8)	—	(255)	—	(263)
Depreciation *(Note 24)*	(337)	(7,479)	(5,817)	(2,437)	(2,339)	(1,437)	(15,515)	—	(35,361)
Impairment *(Note (ii))*	—	—	—	—	—	—	(4,214)	—	(4,214)
Exchange differences	—	(4,469)	(1,302)	(242)	(172)	(113)	(3,511)	(45)	(9,854)
Closing net book amount	34,176	128,432	27,495	5,697	3,268	2,316	76,871	1,408	279,663
At 31 December 2015									
Cost	35,208	190,056	92,287	20,645	16,721	18,585	209,655	1,408	584,565
Accumulated depreciation and impairment	(1,032)	(61,624)	(64,792)	(14,948)	(13,453)	(16,269)	(132,784)	—	(304,902)
Net book amount	34,176	128,432	27,495	5,697	3,268	2,316	76,871	1,408	279,663

Notes:

(i) Included in the additions of land of HK$31,652,000 and building of HK$25,949,000 represent the acquisition of certain properties in Hong Kong during the year. As these properties are intended for the Group's own administrative purpose, these properties are recognised as property, plant and equipment.

(ii) During the year ended 31 December 2015, impairment charges were made for certain plant and machineries by management based on their recoverable amounts.

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

	2015 HK$'000	2014 HK$'000
Cost of sales	**19,754**	22,009
Distribution costs	**4,085**	4,236
Administrative expenses	**11,522**	9,405
	35,361	35,650

As at 31 December 2015, certain property, plant and equipment with aggregate net carrying value of approximately HK$76,497,000 (31 December 2014: HK$18,040,000) were pledged as securities for a drawn banking facility of HK$30,800,000 and an undrawn banking facility of HK$115,800,000 of the Group (Note 20).

8 INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
At 1 January	**207,554**	207,180
Revaluation gain	**—**	600
Exchange differences	**(450)**	(226)
At 31 December	**207,104**	207,554

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

	2015 HK$'000	2014 HK$'000
Rental income *(Note 25)*	**6,934**	4,961
Direct operating expense arising from investment properties that generate rental income *(Note 24)*	**114**	397

(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 2015 and 2014. The following table analyses the investment properties carried at fair value.

Fair value hierarchy

	Fair value measurements at 31 December 2015 using		
Description	**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	**—**	**207,104**	**—**

8 INVESTMENT PROPERTIES (Continued)

(a) (Continued)

Fair value hierarchy (Continued)

	Fair value measurements at 31 December 2014 using		
Description	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	—

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.

(b) At 31 December 2015, certain investment properties with an aggregate net carrying amount of HK$197,600,000 (31 December 2014: HK$197,600,000) were pledged as security for mortgage loan of the Group (Note 20).

(c) At 31 December 2015, the future aggregate minimum lease receipts under non-cancellable operating leases of investment properties not recognised in the consolidated financial statements, which are receivable by the Group as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**7,620**	4,919
Later than one year but no later than 5 years	**13,348**	8,199
	20,968	13,118

9 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	2015 HK$'000	2014 HK$'000
At 1 January	**347,248**	355,135
Impairment of goodwill	**(331,545)**	—
Exchange differences	**(15,703)**	(7,887)
At 31 December	**—**	347,248

Impairment test of goodwill

The Group recognised goodwill of RMB277,688,000 (equivalent to approximately HK$318,869,000) during the year ended 31 December 2010 as a result of the acquisition of the equity interest of All Team Group Limited ("All Team Group"), which is principally engaged in the distribution and retail business of cosmetics and fashion accessories in the PRC (the "PRC retail business").

As a result of the slow down of the retail business in the PRC, the continuous growth of the online trading business, the change of consumer spending habit of the younger generation in the PRC, which is the Group's targeted customer, the prospect of the PRC retail business was significantly challenged. Further, the resolution of the litigation (Note 31) was not as satisfactory as expected.

During the year, despite management's effort in launching a number of new business initiatives, including widening of product lines and optimising the quality and quantity of the franchisees, the PRC retail business continued to suffer from a loss and the number of PRC retail chain outlets significantly dropped from 805 as at 31 December 2014 to 543 as at 31 December 2015. In view of the above, the Group decided to revise its business strategies and would not significantly invest to expand this business segment at this stage.

The Group revised its cash flow forecasts of this CGU for the year ended 31 December 2015. Based on the expected future market conditions and management's latest business plans, a full impairment of goodwill of RMB277,688,000 (equivalent to approximately HK$331,545,000) was recognised during the year ended 31 December 2015.

The recoverable amount of the CGU approximated HK$10,729,000 is determined based on fair value less cost of disposal calculations, using the discounted cash flow method under the income approach. The fair value measurement is categorised under Level 3 of the fair value hierarchy.

9 GOODWILL AND INTANGIBLE ASSETS (Continued)

(a) Goodwill (Continued)

Impairment test of goodwill (Continued)

The key assumptions used for the calculation are as follows:

	2015	2014
Average 5-year annual growth rate	**4.7%**	88.5%
Average gross margin	**36.3%**	36.9%
Discount rate	**16.8%**	18.0%
Terminal growth rate	**3.0%**	3.0%

Management determined budgeted average annual growth rate and average gross margin based on past performance and expectations of the market development that market participants would use. The discount rate used reflects specific risks relating to the CGU, based on the risk profile of comparable companies and company specific premium of the CGU.

An independent valuation of the Group's goodwill was performed by the valuer, Asset Appraisal Limited, which assessed the impairment of goodwill as at 31 December 2015 and 2014.

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 2014					
Cost	1,216	968	17,820	5,950	25,954
Accumulated amortisation and impairment	(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 24)*	(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 and impairment	(635)	(968)	(7,550)	(3,419)	(12,572)
Net book amount	642	—	9,873	2,768	13,283
Year ended 31 December 2015					
Opening net book amount	**642**	**—**	**9,873**	**2,768**	**13,283**
Additions	**—**	**—**	**—**	**809**	**809**
Amortisation *(Note 24)*	**(134)**	**—**	**(1,717)**	**(1,255)**	**(3,106)**
Impairment *(Note 31)*	**—**	**—**	**(7,764)**	**—**	**(7,764)**
Exchange differences	**—**	**—**	**(392)**	**(25)**	**(417)**
Closing net book amount	**508**	**—**	**—**	**2,297**	**2,805**
At 31 December 2015					
Cost	**1,277**	**968**	**16,636**	**6,996**	**25,877**
Accumulated amortisation and impairment	**(769)**	**(968)**	**(16,636)**	**(4,699)**	**(23,072)**
Net book amount	**508**	**—**	**—**	**2,297**	**2,805**

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:

	2015 **HK$'000**	2014 HK$'000
Distribution costs	**1,717**	1,752
Administrative expenses	**1,389**	1,329
	3,106	3,081

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:

	2015 **HK$'000**	2014 HK$'000
Deferred income tax assets		
— Deferred income tax assets to be realised after more than twelve months	**7,602**	8,192
Deferred income tax liabilities		
— Deferred income tax liabilities to be settled after more than twelve months	**(2,740)**	(5,555)
Deferred income tax assets, net	**4,862**	2,637

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

	2015 **HK$'000**	2014 HK$'000
At 1 January	**2,637**	2,521
Recognised in the consolidated statement of comprehensive income *(Note 29)*	**2,375**	180
Exchange differences	**(150)**	(64)
At 31 December	**4,862**	2,637

10 DEFERRED INCOME TAX (Continued)

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 2014	(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)**
Recognised in the consolidated statement of comprehensive income	**252**	**—**	**2,366**	**2,618**
Exchange differences	**—**	**95**	**102**	**197**
At 31 December 2015	**(719)**	**(2,021)**	**—**	**(2,740)**

Deferred income tax assets

	Decelerated tax depreciation HK$'000
At 1 January 2014	8,433
Recognised in the consolidated statement of comprehensive income	(64)
Exchange differences	(177)
At 31 December 2014	**8,192**
Recognised in the consolidated statement of comprehensive income	**(243)**
Exchange differences	**(347)**
At 31 December 2015	**7,602**

Deferred income tax liabilities of HK$7,565,000 as at 31 December 2015 (31 December 2014: HK$7,395,000) 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$151,310,000 at 31 December 2015 (31 December 2014: HK$147,906,000), and the Group does not intend to remit these unremitted earnings from the relevant subsidiary to the Company in the foreseeable future.

11 INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**76,046**	78,195
Work in progress	**13,405**	9,812
Finished goods	**128,635**	131,006
	218,086	219,013
Less: Provision for obsolete inventories	**(8,647)**	(5,985)
Inventories, net	**209,439**	213,028

The cost of inventories included in cost of sales during the year amounted to approximately HK$927,804,000 (for the year ended 31 December 2014: approximately HK$881,671,000).

The gross amount of inventories carried at net realisable value amounted to approximately HK$8,647,000 (31 December 2014: approximately HK$5,985,000) as at 31 December 2015.

12 TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**506,413**	470,822
Bills receivables	**8,579**	4,006
	514,992	474,828
Less: provision for impairment of receivables	**(36,337)**	(26,096)
Trade and bills receivables, net	**478,655**	448,732

Ageing analysis of trade and bills receivables by invoice date as at 31 December 2015 is as follows:

	2015 HK$'000	2014 HK$'000
1–30 days	**276,482**	264,028
31–60 days	**83,437**	88,901
61–90 days	**49,214**	41,976
91–180 days	**49,510**	39,681
Over 180 days	**56,349**	40,242
	514,992	474,828

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

12 TRADE AND BILLS RECEIVABLES (Continued)

Ageing analysis of trade and bills receivables by due date as at 31 December 2015 is as follows:

	2015	2014
	HK$'000	HK$'000
Current	**260,920**	252,804
1–30 days	**78,093**	78,770
31–60 days	**43,175**	45,891
61–90 days	**24,580**	21,149
91–180 days	**36,116**	31,874
Over 180 days	**72,108**	44,340
	514,992	474,828

	2015	2014
	HK$'000	HK$'000
Denominated in:		
— RMB	**277,126**	252,135
— US$	**177,699**	169,167
— HK$	**41,005**	36,180
— Other currencies	**19,162**	17,346
	514,992	474,828

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

	2015	2014
	HK$'000	HK$'000
Trade and bills receivables	**478,655**	448,732

As at 31 December 2015, trade and bills receivables of approximately HK$36,337,000 (31 December 2014: approximately HK$26,096,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales proceeds receivable from PRC customers which have remained long overdue and management considered the recoverability is remote.

As at 31 December 2015, trade and bills receivables of approximately HK$217,753,000 (31 December 2014: approximately HK$195,928,000) 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:

12 TRADE AND BILLS RECEIVABLES (Continued)

	2015 HK$'000	2014 HK$'000
Up to 90 days	**145,479**	145,639
91 to 180 days	**35,259**	31,664
Over 180 days	**37,015**	18,625
	217,753	195,928

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

	2015 HK$'000	2014 HK$'000
At 1 January	**26,096**	20,571
Add: Provision for impairment of trade and bills receivables	**10,828**	6,957
Less: Disposal of a subsidiary	**—**	(1,264)
Less: Write-off of provision for impairment of trade and bills receivables	**(587)**	(168)
At 31 December	**36,337**	26,096

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:

	2015 HK$'000	2014 HK$'000
Current	**2,444**	957
1–30 days	**1,236**	666
31–60 days	**924**	473
61–90 days	**1,902**	380
Over 90 days	**2,121**	1,810
	8,627	4,286

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 **HK$'000**	2014 HK$'000
Current:		
Deposits	**5,147**	4,379
Prepayments	**12,555**	22,225
Other receivables	**29,054**	35,860
	46,756	62,464
Non-current:		
Long-term prepayments	**6,366**	22,393
	53,122	84,857

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

	2015 **HK$'000**	2014 HK$'000
Current:		
Deposits	**5,147**	4,379
Other receivables	**29,054**	35,860
	34,201	40,239
Denominated in:		
— RMB	**15,254**	19,358
— HK$	**18,610**	20,269
— Other currencies	**337**	612
	34,201	40,239

15 RESTRICTED CASH

	2015 HK$'000	2014 HK$'000
Restricted cash	**35,819**	37,515

As at 31 December 2015, the restricted cash of RMB30,000,000 (equivalent to approximately HK$35,819,000) (31 December 2014: RMB30,000,000 (equivalent to approximately HK$37,515,000)) was placed as collateral for an irrevocable letter of guarantee that provides financial assurance that the Group would fulfil its obligation with respect to a litigation as disclosed in Note 31. The judgement had been finalised on 13 November 2015 and the restricted cash has been subsequently released on 25 February 2016.

16 CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Cash at banks and on hand	**263,103**	223,397
Short term bank deposits	**32,590**	105,013
	295,693	328,410
Denominated in:		
— US$	**103,291**	102,725
— RMB	**94,972**	134,283
— HK$	**80,144**	73,505
— Other currencies	**17,286**	17,897
	295,693	328,410

The Group's cash and bank balances of approximately HK$139,370,000 (31 December 2014: approximately HK$138,185,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

17 RESERVES

Other reserves

	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 of and dissolution of subsidiaries	—	—	—	—	(136)	—	(136)
Total comprehensive income	—	—	—	—	(13,686)	63,264	49,578
Final dividends relating to 2013	—	—	—	—	—	(13,955)	(13,955)
Interim dividends relating to 2014	—	—	—	—	—	(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

17 RESERVES (Continued)

Other reserves (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 2015	61,510	26,358	35,586	39,349	66,688	483,341	712,832
Comprehensive loss							
Loss for the year	—	—	—	—	—	(221,864)	(221,864)
Other comprehensive loss							
Currency translation differences	—	—	—	—	(27,490)	—	(27,490)
Realisation of exchange reserve upon disposal of and dissolution of subsidiaries	—	—	—	—	4	—	4
Total comprehensive loss	—	—	—	—	(27,486)	(221,864)	(249,350)
Final dividends relating to 2014 *(Note 32)*	—	—	—	—	—	(21,101)	(21,101)
Interim dividends relating to 2015 *(Note 32)*	—	—	—	—	—	(14,100)	(14,100)
Exercise of share options	—	—	(3,720)	—	—	3,720	—
Profit appropriation of PRC statutory reserve *(Note (ii))*	—	3,631	—	—	—	(3,631)	—
Balance at 31 December 2015	61,510	29,989	31,866	39,349	39,202	226,365	428,281
Representing:							
Reserves							407,108
Proposed final dividend *(Note 32)*							21,173
Balance at 31 December 2015							428,281

Notes:

(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.

(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.

18 SHARE-BASED PAYMENT COMPENSATION

As at 31 December 2015, 33,808,000 share options were outstanding and all of them are exercisable (31 December 2014: 40,860,000). Share option of 20,778,000, 10,817,000 and 2,213,000 will lapse on 23 June 2019, 9 September 2021 and 4 September 2022, respectively.

During the year ended 31 December 2015, 6,852,000 options (for the year ended 31 December 2014: 924,000) were exercised at proceeds of approximately HK$4,248,000. Options exercised in 2015 were issued at a weighted average price of HK$0.62 each (2014: HK$0.62 each). The related weighted average exercise price at the time of exercise was HK$0.94 (2014: HK$0.83) per share.

During the year ended 31 December 2015, 200,000 options were forfeited (for the year ended 31 December 2014: 876,000).

As all the share options were fully vested, no share-based payment expense was recognised during the year ended 31 December 2015 (for the year ended 31 December 2014: HK$65,000).

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

	2015		2014	
	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**	**40,860**	0.62	42,660
Granted	**—**	**—**	—	—
Forfeited	**0.62**	**(200)**	0.62	(876)
Exercised	**0.62**	**(6,852)**	0.62	(924)
Expired	**—**	**—**	—	—
Cancelled	**—**	**—**	—	—
At 31 December	**0.62**	**33,808**	0.62	40,860

19 SHARE CAPITAL AND SHARE PREMIUM

	2015 Number of shares	2015 HK$'000	2014 Number of shares	2014 HK$'000
Ordinary shares, issued and fully paid:				
At 1 January	**698,587,697**	**6,986**	697,663,697	6,977
Exercise of share options *(Note 18)*	**6,852,000**	**68**	924,000	9
At 31 December	**705,439,697**	**7,054**	698,587,697	6,986

	Share capital HK$'000	Share premium HK$'000	Total HK$'000
Balance at 1 January 2014	**6,977**	**590,935**	**597,912**
Exercise of share options	9	564	573
Balance at 31 December 2014	**6,986**	**591,499**	**598,485**
Exercise of share options	68	4,180	4,248
Balance at 31 December 2015	**7,054**	**595,679**	**602,733**

20 BORROWINGS

	2015 **HK$'000**	2014 HK$'000
Non-current:		
Long-term bank borrowings	**19,439**	25,971
Current:		
Current portion of long-term bank borrowings	**36,539**	6,473
	55,978	32,444
Representing:		
Secured	**55,978**	32,444

At 31 December 2015, the Group's borrowings are denominated in HK$ and repayable as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**36,539**	6,473
Between 1 and 2 years	**19,439**	25,971
	55,978	32,444

The weighted average effective interest rate per annum of the Group's borrowings at 31 December 2015 and 2014 are set out as follows:

	2015	2014
HK$ *(Note)*	**1.49%**	0.97%

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% per annum 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 2015 (31 December 2014: HK$197,600,000).

In September 2015, the Group obtained a HK$ denominated mortgage loan and certain banking facilities, which bore interest at the higher of 1.7% per annum over 1 month HIBOR or the cost to the bank of funding the facilities, for acquiring certain properties in Hong Kong. These properties were pledged against the mortgage loan and certain banking facilities and included in property, plant and equipment in the consolidated financial statements of the Group, with net carrying values of HK$57,027,000 as at 31 December 2015.

20 BORROWINGS (Continued)

The Group also entered into banking facilities which were secured by land use rights and property, plant and equipment, with net carrying values of approximately HK$1,921,000 (31 December 2014: HK$2,071,000) and HK$19,470,000 (31 December 2014: HK$18,040,000) respectively as at 31 December 2015.

The interest expenses on borrowings for the year ended 31 December 2015 was approximately HK$507,000 (for the year ended 31 December 2014: HK$408,000).

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:

	2015 **HK$'000**	2014 HK$'000
Floating rate		
— Expiring within one year	**242,116**	249,850

21 TRADE PAYABLES

The ageing analysis of trade payables by invoice date is as follows:

	2015 **HK$'000**	2014 HK$'000
1–30 days	**177,997**	178,630
31–60 days	**26,700**	25,171
61–90 days	**31,904**	45,571
Over 90 days	**3,939**	3,191
	240,540	252,563

21 TRADE PAYABLES (Continued)

The ageing analysis of trade payables by due date is as follows:

	2015 HK$'000	2014 HK$'000
Current	**206,004**	176,764
1–30 days	**16,143**	56,236
31–60 days	**7,948**	10,785
61–90 days	**4,025**	3,372
Over 90 days	**6,420**	5,406
	240,540	252,563

	2015 HK$'000	2014 HK$'000
Denominated in:		
— RMB	**187,130**	208,941
— HK$	**16,604**	17,245
— US$	**35,886**	26,031
— Other currencies	**920**	346
	240,540	252,563

22 ACCRUALS AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Advance from customers	**23,378**	25,614
Other payables	**160,173**	139,846
Accruals	**104,896**	100,729
Provision for legal compensation *(Note 31)*	**—**	38,766
	288,447	304,955

The carrying values of these balances approximate their fair values.

23 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 in HK$.

24 EXPENSES BY NATURE

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

	2015 **HK$'000**	2014 HK$'000
Changes in inventories *(Note 11)*	**927,804**	881,671
Auditor's remuneration		
— Audit services	**2,900**	3,300
— Non-audit services	**161**	155
Amortisation of land use rights *(Note 6)*	**711**	488
Depreciation of property, plant and equipment *(Note 7)*	**35,361**	35,650
Amortisation of intangible assets *(Note 9(b))*	**3,106**	3,081
Operating lease rental in respect of buildings	**20,191**	21,621
Provision/(write-back of provision) for obsolete inventories	**2,663**	(206)
Provision for impairment of trade and bills receivables *(Note 12)*	**10,828**	6,957
Provision for impairment of property, plant and equipment *(Note 7)*	**4,214**	—
Direct written off for obsolete inventories	**5,614**	3,496
Employee benefit expenses *(Note 26)*	**364,096**	337,184
Transportation expenses	**60,666**	54,289
Exchange loss, net	**4,981**	6,121
Advertising costs	**13,402**	16,951
(Gain)/loss on disposal of property, plant and equipment *(Note 33(b))*	**(274)**	213
Direct operating expenses arising from investment properties that generate rental income *(Note 8)*	**114**	397
Utilities expenses	**24,985**	26,166

25 OTHER INCOME

	2015 HK$'000	2014 HK$'000
Rental income *(Note 8)*	**6,934**	4,961
Income from sales of scrap materials	**1,607**	1,922
Others	**2,042**	1,152
	10,583	8,035

26 EMPLOYEE BENEFIT EXPENSES

	2015 HK$'000	2014 HK$'000
Salaries, wages and bonuses	**314,147**	296,397
Pension costs — defined contribution plans	**1,172**	967
Welfare and other expenses	**48,777**	39,755
Share-based compensation	**—**	65
	364,096	337,184

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2015 include five directors (31 December 2014: four) whose emoluments are reflected in the analysis shown in Note 37. The emolument payable to the remaining individual for the year ended 31 December 2015 and 2014 is as follows:

	2015 HK$'000	2014 HK$'000
Basic salaries, housing allowances, other allowances and benefit-in-kind	**—**	1,083
Contribution to pension plans	**—**	18
	—	1,101

26 EMPLOYEE BENEFIT EXPENSES (Continued)

Five highest paid individuals (Continued)

The emoluments of the remaining individual fell within the following bands:

	Number of individuals	
	2015	2014
Emoluments bands (in HK$)		
HK$1,000,001 to HK$1,500,000	—	1

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 2015 (during the year ended 31 December 2014: Nil).

27 FINANCE INCOME AND FINANCE COSTS

	2015	2014
	HK$'000	HK$'000
Finance costs on bank borrowings	**(507)**	(408)
Finance income	**832**	2,239
Finance income, net	**325**	1,831

28 SUBSIDIARIES

As at 31 December 2015, 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%	—	—
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%	—
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$7,000,000	—	100%	—
Ming Fai Quality Amenities (Australia) Pty Limited	Australia, limited liability company	Trading of amenity products and accessories; Australia	AUD10,000	—	100%	—

28 SUBSIDIARIES (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
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 (cessation of business in July 2014); 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%
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	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 business of cosmetic and fashion accessories; the PRC	US$225,000	—	100%	—

29 INCOME TAX EXPENSES

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

	2015	2014
	HK$'000	HK$'000
Current income tax:		
— Hong Kong profits tax	**21,579**	17,510
— PRC enterprise income tax	**6,982**	745
— Singapore income tax	**653**	1,408
	29,214	19,663
Deferred income tax *(Note 10)*	**(2,375)**	(180)
	26,839	19,483

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

Hong Kong profits tax, PRC enterprise income tax and Singapore income tax are calculated at 16.5% (2014: 16.5%), 25% (2014: 25%) and 17% (2014: 17%) respectively on the estimated assessable profits for the year ended 31 December 2015.

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:

	2015	2014
	HK$'000	HK$'000
(Loss)/profit before income tax	**(199,299)**	78,216
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(42,423)**	11,477
Income not subject to tax	**(27,577)**	(13,052)
Expenses not deductible for tax purposes	**90,937**	8,555
Utilisation of prior year tax losses	**(260)**	(278)
Tax losses for which no deferred income tax asset was recognised	**6,162**	12,781
Tax charge	**26,839**	19,483

The weighted average applicable tax rate was 17% (for the year ended 31 December 2014: 17%) per annum for the year ended 31 December 2015.

29 INCOME TAX EXPENSE (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxation profits is probable. The Group has unrecognised tax losses of approximately HK$137,988,000 (31 December 2014: HK$139,787,000) as at 31 December 2015 to offset against future taxable income. These tax losses expire in the following years:

	2015 **HK$'000**	2014 HK$'000
In the first to fifth years inclusive	**100,434**	105,334
No expiry date	**37,554**	34,453
	137,988	139,787

30 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share attributable to owners of the Company is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
(Loss)/profit attributable to owners of the Company (HK$'000)	**(221,864)**	63,264
Weighted average number of ordinary shares in issue (thousands)	**702,836**	697,968
Basic (loss)/earnings per share attributable to owners of the Company (HK cents)	**(31.6)**	9.1

30 (LOSS)/EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted (loss)/earnings per share attributable to owners 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.

Diluted loss per share attributable to owners of the Company for the year ended 31 December 2015 is the same as basic loss per share attributable to owners of the Company as the exercise of the outstanding share options would have an anti-dilutive effect which results in a reduction in loss per share for the year ended 31 December 2015.

Diluted earnings per share attributable to owners of the Company for the year ended 31 December 2014 is as below:

	2014
Earnings	
Profit attributable to owners of the Company (HK$'000)	63,264
Weighted average number of ordinary shares in issue (thousands)	697,968
Adjustments for:	
— Share options (thousands)	8,412
Weighted average number of ordinary shares for diluted earnings per share (thousands)	706,380
Diluted earnings per share attributable to owners of the Company (HK cents)	9.0

31 REVERSAL OF NET 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 (the "Judgement") made by the Higher People's Court of Fujian Province against the Defendant that, amongst other things, the Defendants should 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 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.

On 13 November 2015, the Company received the judgement (the "Final Judgement") made by the Supreme People's Court of the PRC (中華人民共和國最高人民法院) upon the Defendants' appeal against the Judgement. Amongst other things, the Group is prohibited to use the identifier "七色花", a term in its entirety and independently on its merchandise, website and in its marketing activities. Further, the Group would have to pay the Plaintiff a total amount of RMB1,200,000 (equivalent to approximately HK$1,479,000) as damages and reasonable expenditure and to bear the legal costs in the total amount of RMB46,100 (equivalent to approximately HK$57,000). Other than the above as mentioned in the Final Judgement, the Group has incurred additional legal costs of RMB1,424,600 (equivalent to approximately HK$1,755,000) in the court case.

Accordingly, the net provision of legal compensation of RMB28,329,300 (equivalent to approximately HK$34,905,000) was written back. In addition, since the brandname "七色花" recognised at the time when the Group acquired All Team Group cannot be used solely and independently in the future as a result of the Final Judgement, management considered it is not probable that future economic benefit would be attributable by this brandname to the retail business. As such, a provision of impairment for the relevant brandname of RMB6,503,000 (equivalent to approximately HK$7,764,000) was recognised in the consolidated financial statements for the year ended 31 December 2015.

32 DIVIDENDS

On 21 May 2015, a final dividend of HK3.0 cents per share for the year ended 31 December 2014 was approved by the Company's shareholders. Total dividend of approximately HK$21,101,000 was paid out.

On 9 October 2015, the Board resolved to pay an interim dividend of HK2.0 cents per share for the six months ended 30 June 2015. Total dividend of approximately HK$14,100,000 was paid out.

The final dividend in respect of the year ended 31 December 2015 of HK3.0 cents per share, amounting to a total dividend of approximately HK$21,173,000 is proposed on 29 March 2016, which is subject to approval at the annual general meeting to be held on 26 May 2016. 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 2015.

	2015 **HK$'000**	2014 HK$'000
Interim dividend paid of HK2.0 cents (2014: HK1.5 cents) per share	**14,100**	10,474
Proposed final dividend of HK3.0 cents (2014: HK3.0 cents) per share	**21,173**	20,958
	35,273	31,432

33 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2015 **HK$'000**	2014 HK$'000
(Loss)/profit before income tax	**(199,299)**	78,216
Adjustments for:		
— Amortisation of land use rights *(Note 6)*	**711**	488
— Depreciation of property, plant and equipment *(Note 7)*	**35,361**	35,650
— Amortisation of intangible assets *(Note 9(b))*	**3,106**	3,081
— (Gain)/loss on disposal of property, plant and equipment *(Note 33(b))*	**(274)**	213
— Impairment of property, plant and equipment *(Note 7)*	**4,214**	—
— Impairment of intangible asset *(Notes 9(b) & 31)*	**7,764**	—
— Finance income *(Note 27)*	**(832)**	(2,239)
— Finance costs *(Note 27)*	**507**	408
— Provision/(write-back of provision) for obsolete inventories *(Note 11)*	**2,663**	(206)
— Direct written-off for obsolete inventories	**5,614**	3,496
— Provision for impairment of trade and bills receivables *(Note 12)*	**10,828**	6,957
— Direct write-off of provision of trade and bill receivables	**60**	781
— Amortisation of incentive	**8,059**	23,356
— Share of profit of an associated company	**(149)**	(255)
— Share of losses of joint ventures	**436**	382
— Share-based compensation	**—**	65
— Fair value gains on investment properties	**—**	(600)
— Gain on disposal and dissolution of subsidiaries	**(4)**	(128)
— Provision for impairment of goodwill *(Note 9(a))*	**331,545**	—
— Reversal for net provision for legal compensation *(Note 31)*	**(34,905)**	—
Changes in working capital:		
— Inventories	**(4,688)**	(27,458)
— Trade and bills receivables	**(54,681)**	(40,709)
— Deposits, prepayments and other receivables	**5,447**	(27,686)
— Trade payables	**(2,954)**	19,454
— Accruals and other payables	**29,188**	14,441
— Amount due from an associated company	**(4,341)**	(1,140)
— Amounts due from joint ventures	**9**	—
Cash generated from operations	**143,385**	86,567

33 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:

	2015 **HK$'000**	2014 HK$'000
Net book amount:		
— Property, plant and equipment *(Note 7)*	**263**	674
Gain/(loss) on disposal of property, plant and equipment *(Note 24)*	**274**	(213)
Proceeds from disposal of property, plant and equipment	**537**	461

(c) Analysis of changes in financing during the year

Bank borrowings

	2015 **HK$'000**	2014 HK$'000
Beginning of the year	**32,444**	38,857
Proceeds from borrowings	**30,800**	2,214
Repayments of borrowings	**(7,266)**	(8,627)
End of the year	**55,978**	32,444

Loans from non-controlling interests

	2015 **HK$'000**	2014 HK$'000
Beginning of the year	**10,526**	6,521
Proceeds from loans	**2,061**	4,528
Repayment of loans	**—**	(523)
End of the year	**12,587**	10,526

34 COMMITMENTS

(a) Capital commitments

As at 31 December 2015, the capital commitments of the Group were HK$5,705,000 (31 December 2014: HK$9,927,000).

	2015 HK$'000	2014 HK$'000
Contracted but not provided for in the consolidated financial statements	**5,705**	9,927

(b) Operating lease commitments

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

	2015 HK$'000	2014 HK$'000
No later than one year	**15,714**	17,143
Later than one year and no later than five years	**11,788**	20,208
Later than five years	**4,680**	4,952
	32,182	42,303

35 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

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties:

	2015 HK$'000	2014 HK$'000
(i) Sales of goods		
— to Quality Amenities Supply (M) Sdn. Bhd.	**11,666**	5,727
(ii) Rental charged		
— by Ming Fai Plastic Industrial Company	**899**	917
— by Mr. LIU Zigang	**163**	166
(iii) Purchase of services rendered from		
— Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd.	**2,190**	969
— Information technology service charges from iBridge Technology	**343**	357

35 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

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.

(b) Key management compensation

	2015	2014
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**8,573**	8,487
Contributions to pension plans	**119**	138
	8,692	8,625

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

	2015	2014
	HK$'000	HK$'000
Amounts due from		
— Quality Amenities Supply (M) Sdn. Bhd. *(Note 13)*	**8,627**	4,286
— iBridge Technology *(Note)*	**577**	473

Note: The balance represents prepayment to iBridge Technology of HK$542,000 arising from purchases of information services and amount due from it of HK$35,000. The balance is unsecured in nature, bears no interest and denominated in RMB.

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company as at 31 December 2015

	Note	**2015** **HK$'000**	2014 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary		**235,673**	235,673
Total non-current asset		**235,673**	235,673
Current assets			
Amounts due from joint ventures		**10**	30
Amounts due from subsidiaries		**627,294**	626,441
Tax recoverable		**2**	61
Deposits, prepayments and other receivables		**260**	177
Cash and cash equivalents		**26,117**	21,143
Total current assets		**653,683**	647,852
Total assets		**889,356**	883,525

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Balance sheet of the Company as at 31 December 2015 (Continued)

	Note	**2015** **HK$'000**	2014 HK$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**7,054**	6,986
Share premium		**595,679**	591,499
Other reserves	*A*	**285,939**	284,307
Total equity		**888,672**	882,792
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**46**	55
Amount due to a joint venture		**14**	—
Accruals and other payables		**580**	639
Dividends payable		**44**	39
Total current liabilities		**684**	733
Total liabilities		**684**	733
Total equity and liabilities		**889,356**	883,525

The balance sheet of the Company was approved by the Board of Directors on 29 March 2016 and was signed on its behalf.

CHING Chi Fai
Director

CHING Tsun Wah
Director

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note A: Reserve movement of the Company for the year ended 31 December 2015

	Merger reserve *(Note)* HK$'000	Share-based compensation reserves HK$'000	Retained earnings HK$'000	Total HK$'000
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	—	—	(13,955)	(13,955)
Interim dividends relating to 2014	—	—	(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
Balance at 1 January 2015	**224,147**	**35,744**	**24,416**	**284,307**
Comprehensive income				
Profit for the year	**—**	**—**	**36,833**	**36,833**
Total comprehensive income	**—**	**—**	**36,833**	**36,833**
Final dividends relating to 2014 *(Note 32)*	**—**	**—**	**(21,101)**	**(21,101)**
Interim dividends relating to 2015 *(Note 32)*	**—**	**—**	**(14,100)**	**(14,100)**
Exercise of share options	**—**	**(320)**	**320**	**—**
Balance at 31 December 2015	**224,147**	**35,424**	**26,368**	**285,939**
Representing:				
Reserve				**264,766**
Proposed final dividend *(Note 32)*				**21,173**
Balance at 31 December 2015				**285,939**

Note: 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.

37 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	2015 HK$'000	2014 HK$'000
Fees	**1,543**	1,458
Basic salaries, housing allowances, other allowances and benefits-in-kind	**8,800**	8,321
Contributions to pension plans	**131**	156
	10,474	9,935

The emoluments of each Director and chief executive of the Company for the year ended 31 December 2015 are as follows:

Name of Directors	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Charge/ (reversal) of share-based payment expense HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors *(Note (i))*						
Mr. CHING Chi Fai	120	1,190	1,089	—	18	2,417
Mr. CHING Chi Keung	120	515	585	—	18	1,238
Mr. LIU Zigang	120	636	722	—	47	1,525
Mr. CHING Tsun Wah	120	503	585	—	18	1,226
Mr. KEUNG Kwok Hung	120	1,281	867	—	18	2,286
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	150	—	—	—	—	150
Non-executive Directors						
Ms. CHAN Yim Ching *(Note (ii))*	120	523	304	—	12	959
Mr. LEE King Hay *(Note (iii))*	223	—	—	—	—	223
Total	1,543	4,648	4,152	—	131	10,474

37 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

The emoluments of each Director and chief executive 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$'000	Charged/ (reversal) of share-based payment expense HK$'000	Employer's contribution to a retirement 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 (iv))*	40	412	390	—	18	860
Mr. KEUNG Kwok Hung *(Note (v))*	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 (iii))*	269	299	95	—	18	681
Mr. Lawrence Joseph MORSE *(Note (vi))*	—	—	—	—	—	—
Total	1,458	4,547	3,774	—	156	9,935

Notes:

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

(ii) Ms. CHAN Yim Ching was re-designated from an executive Director to a non-executive Director on 27 August 2015.

(iii) Mr. LEE King Hay was re-designated from an executive Director to a non-executive Director on 1 September 2014 and retired on 21 May 2015.

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

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

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