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 2016

* For identification purpose only

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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

Unit D3, 8/F
TML Tower
No. 3 Hoi Shing Road
Tsuen Wan, New Territories
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 2016

- Revenue decreased 0.8% to HK$1,698.0 million (2015: HK$1,710.9 million)
- Gross profit increased 8.7% to HK$454.2 million (2015: HK$417.9 million)
- Gross profit margin increased 2.4 percentage points to 26.8% (2015: 24.4%)
- Operating profit is HK$123.1 million (2015: operating loss of HK$199.3 million) and the profit for the year 2016 is HK$149.1 million (2015: loss of HK$226.1 million). These have included several significant non-recurring items recognised in the consolidated statement of comprehensive income:

  For the year of 2016:

  — Fair value gains on investment properties in Hong Kong: HK$62.4 million (income)

  For the year of 2015:

  — 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 the one-off items, the profit for the year 2016 is HK$86.7 million (2015: HK$80.6 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:

	2016		2015	
	BEFORE recognition of significant non-recurring items HK$ million	**AFTER recognition of significant non-recurring items HK$ million**	BEFORE recognition of significant non-recurring items HK$ million	AFTER recognition of significant non-recurring items HK$ million
Operating profit/(loss)	**123.1**	**123.1**	109.3	(199.3)
Profit/(loss) for the year	**86.7**	**149.1**	80.6	(226.1)
Profit/(loss) attributable to owners of the Company	**95.1**	**157.4**	84.9	(221.9)
Basic earnings/(loss) per share attributable to owners of the Company (HK cents)	**13.4**	**22.2**	11.5	(31.6)

- A proposed final dividend in respect of the year ended 31 December 2016 of HK4.0 cents was recommended, together with the interim dividend of HK2.0 cents, representing a total of HK6.0 cents per share (2015: HK5.0 cents) and the dividend payout ratio of 44.8% (2015: 43.5%) (before recognition of significant non-recurring items). In addition, a special dividend of HK20.0 cents was declared during the year.

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Years ended 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016 HK$'000**
Revenue	1,685,723	1,683,999	1,626,016	1,710,885	**1,698,005**
Profit/(loss) before income tax	102,541	63,064	78,216	(199,299)	**191,439**
Income tax expenses	(27,363)	(27,984)	(19,483)	(26,839)	**(42,355)**
Profit/(loss) for the year	75,178	35,080	58,733	(226,138)	**149,084**

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016 HK$'000**
ASSETS					
Non-current assets	842,207	843,195	828,410	546,604	**331,064**
Current assets	958,836	1,055,629	1,094,901	1,075,041	**1,322,931**
Total assets	1,801,043	1,898,824	1,923,311	1,621,645	**1,653,995**
EQUITY AND LIABILITIES					
Total equity	1,243,405	1,272,868	1,296,392	1,011,378	**975,036**
Non-current liabilities	44,717	38,356	31,526	22,179	**2,612**
Current liabilities	512,921	587,600	595,393	588,088	**676,347**
Total liabilities	557,638	625,956	626,919	610,267	**678,959**
Total equity and liabilities	1,801,043	1,898,824	1,923,311	1,621,645	**1,653,995**

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Ming Fai International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the audited annual results of the Group for the year ended 31 December 2016.

Global economic growth for 2016 was estimated at a post-crisis low of 2.3%, held back by a context of uncertain policy direction, stagnant global trade and subdued investment. The rise of the United States (the "US") interest rate since December 2016 had given impetus to currency depreciation and capital outflows in emerging markets. China, the second largest economy, also experienced a steady deceleration of economic growth to 6.7%, down from 6.9% a year earlier, marking its slowest in 26 years. Gloomy economic factors substantially afflicted the Company's performance for the year under review.

With protracted economic slowdown pressures in the reviewing year, the Group recorded an overall revenue of HK$1,698.0 million, indicating a 0.8% year-on-year decrease compared to 2015 (2015: HK$1,710.9 million). However, the Group still managed to maintain a satisfactory gross profit of HK$454.2 million (2015: HK$417.9 million) which was attributable to optimising product mix with higher proportion of higher gross margin products and consistent cost control strategy. The overall gross profit margin ascended by 2.4 percentage point to 26.8% (2015: 24.4%). Profit attributable to owners of the Company stood at HK$157.4 million (2015: loss of HK$221.9 million), reversing a loss during prior year.

Based on the financial performance in 2016, a final dividend of HK4.0 cents per share is pleased to be suggested by the board (the "Board") of directors (the "Directors"), together with the interim dividend of HK2.0 cents, representing a total of HK6.0 cents per share (2015: HK5.0 cents), with a dividend payout ratio of 44.8% (2015: 43.5%) (before recognition of significant non-recurring items). In addition, a special dividend of HK20.0 cents was declared during the year.

The hospitality supplies business of the Group was significantly hampered by the fact that some existing distributors ceased the business relationship with the Group or reduced the number of purchases. Nevertheless, the Group's price control of raw material and Renminbi ("RMB") depreciation offset some of the adverse influence and shed lights on the profit figures. The gross profit of the segment registered a growth rate of 12.9% while the gross profit margin also advanced 3.1 percentage point to 27.4% compared to 2015. Moreover, the Operating Supplies and Equipment ("OS&E") business achieved a double-digit growth, serving as another integral catalyst to shore up gains of this segment.

Regarding intensive competition from online retail in the PRC, the Group adhered to its operation of scaling down in traditional retail business by trimming related operations and promotion expenditure. For the year under review, the Group stringently controlled numbers of franchisees and actively reduced inventory levels. Quantity of physical retail chain outlets also declined to 387 in pursuit of stemming or narrowing further loss of the segment.

Looking forward, global economy may experience an elevated level of uncertainty unleashed by multiple political challenges including a change of administration in the US, Brexit negotiations of the United Kingdom and key elections in the Euro-zone. The US new policy agenda on international trade, currency and immigration issues will be closely observed by the whole world. Travel sentiments can be exacerbated over time by those uncertain political developments. The risk of global economy recovery still remains remarkable. Slower potential growth, financial turbulence, together with tightened policy conditions may also weigh on consumer confidence which may result in spending decisions being put off.

Growth in China is projected to moderate to 6.5% in 2017. Moreover, relation between two of the world's leading economies, the US and China, will come into sharp focus in 2017. For instance, the US new administration has poised a relatively aggressive stance over China regarding import tariffs and currency issues. In recognition of these prolonged economic uncertainty, the Group casts a wary eye on future performance in the coming year.

To mitigate external headwinds as stated above, the Group will consistently adhere to leverage on the hospitality supplies business by consolidating existing client networks and extending clientele worldwide. The Group will better manage and expand production process through multiple channels such as expanding production lines within or outside China to upgrade entire efficiency and enlarge potential capacity. The OS&E business, as a value added service for hospitality supplies business, will pursue a robust and promising growth in the next financial year. On the other hand, the retail business is expected to be scaled down further since consumer habits continue to shift towards online shopping in the PRC. The Group decides to pare its physical retail footprint for long term development.

In all, the Group will pour ceaseless attempts to grasp potential opportunities with an ultimate aim to generate greater returns to shareholders of the Company (the "Shareholders"). Additional forms of strategies such as business transition, merger and acquisition or other investment plans will mainly be confined to the core businesses of the Group and will only be applied accordingly after cautious evaluation and assessment.

On behalf of the Board, I would be honored to express my gratitude to all Shareholders, business partners and our cautious and conscientious employees and management. It is our pleasures to have all these groups' supports, believes, and hardworking.

CHING Chi Fai
Chairman
Hong Kong, 30 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2016, the total revenue recorded a slightly decrease of 0.8% to approximately HK$1,698.0 million compared with HK$1,710.9 million in 2015 as a result of the prolonged economy downturn. The hospitality supplies business, the core business of the Group, displayed prominent contribution with a revenue of HK$1,665.9 million for the year under review, which represented 98.1% of the Group's total revenue. The retail business revenue stood at HK$32.1 million, comprising 1.9% of the total revenue.

Profit attributable to owners of the Company for the year ended 31 December 2016 leaped from loss of HK$221.9 million in 2015 to profit of HK$157.4 million, which highlighted the Group's consistent efforts in adding more values for customers while retrenching production costs.

Basic earnings per share attributable to owners of the Company for the year ended 31 December 2016 was HK22.2 cents (basic loss per share for the year ended 31 December 2015: HK31.6 cents).

Gross profit margin enhanced by 2.4 percentage points to 26.8% from 24.4% in the prior year. This was also attributable to optimising product mix with higher proportion of higher gross margin products and consistent cost control strategy.

The Board has resolved to propose a final dividend of HK4.0 cents per share for the year ended 31 December 2016. A sum of the interim and year-end dividends is expected to be HK6.0 cents per share (2015: HK5.0 cents per share). In addition, a special dividend of HK20.0 cents was declared during the year. The proposed final dividend is subject to approval at the forthcoming annual general meeting ("AGM") on 25 May 2017.

Set out below are the consolidated key financial highlights of the Group for the year ended 31 December 2016:

	Year ended 31 December		
	2016 HK$ million	2015 HK$ million	% Change
Revenue	**1,698.0**	1,710.9	(0.8)%
Gross profit	**454.2**	417.9	8.7%
Profit/(loss) attributable to owners of the Company	**157.4**	(221.9)	170.9%
Net asset value	**975.0**	1,011.4	(3.6)%
Basic earnings/(loss) per share attributable to owners of the Company (HK cents)	**22.2**	(31.6)	170.3%
Diluted earnings/(loss) per share attributable to owners of the Company (HK cents)	**21.9**	(31.6)	169.3%

BUSINESS REVIEW

Global economic growth slumped to 2.3% in 2016, hitting the weakest record since the global financial crisis, as a result of stagnant global trade, subdued investment, and heightened policy uncertainties around the world. As the second largest economy, China also experienced a decreasing growth rate of 0.2 percentage point to 6.7% in 2016. Under this strong headwind, the Group demonstrated a relatively static performance with revenue decreased by 0.8% to HK$1,698.0 million in 2016 (for the year ended 31 December 2015: HK$1,710.9 million) and gross profit increased by 8.7% to HK$454.2 million (for the year ended 31 December 2015: HK$417.9 million).

The hospitality supplies business remained as the key contributor to the overall revenue of the Group, but recorded a relatively unsatisfactory performance during the year under review due to the soft demand of global tourism. On the other hand, the retail business suffered from a prolonged financial loss during the review year.

Hospitality Supplies Business

According to the latest UN World Tourism Organisation ("UNWTO") World Tourism Barometer, international tourist arrivals grew by 3.9% and reached a total of 1,235 million in 2016. However, that growth is less than the increase of 4.4% in 2015. Tourist arrivals in Western European stood at 179.6 million in 2016, down from 180.3 million in 2015 which could be partly attributable to the multiple terrorist attacks that happened in Brussels, Paris, Nice, Berlin, etc. In fact, the whole tourism industry was confronted with various challenges, particularly those related to security.

The hospitality supplies business of the Group was adversely affected by the subdued travel sentiments as well as the increasing competition among hospitality industry. The segment registered a revenue of HK$1,665.9 million, reflecting a slightly increase of less than 1.0% compared to 2015 (for the year ended 31 December 2015: HK$1,661.7 million). During the year under review, the Company struggled with maintaining solid business relationship with distributors. Some of the distributors ceased their relationship with the Group or reduced the number of purchases. The Group has been facing difficulties in obtaining replacement orders.

On the other hand, stablised raw material price and depreciation of RMB contributed to an increase in the gross profit margin for the segment. Although the market prices for some raw materials went up in 2016, some of the Group's raw materials used for production were held over from 2015 and purchased before the market price rose. In addition, the depreciation of RMB lowered the cost pressure and thus benefited the Group's hospitality supplies business. For the year ended 31 December 2016, the gross profit of the hospitality supplies business achieved HK$456.4 million, representing a 12.9% growth compared to 2015 (for the year ended 31 December 2015: HK$404.1 million). The gross profit margin of this segment also increased 3.1 percentage points to 27.4% (for the year ended 31 December 2015: 24.3%) on a year-on-year basis.

The OS&E business was another promising contributor to the revenue growth for the year under review. While it is still at an initial stage, OS&E business generated remarkable financial returns to the Group by recording a double digit growth in revenue. It recorded a revenue of HK$89.8 million for the year of 2016 (for the year ended 31 December 2015: HK$71.8 million), accounting for 5.4% of the total segment revenue. Though it only accounted for a small proportion of the segment's revenue in current year, the OS&E business is expected to grow with greater momentum and swifter pace in the future.

The regional revenue from the hospitality supplies business experienced a downturn on a year-on-year basis. However, revenue from the PRC and Hong Kong, as the Group's key focus markets, recorded an increase of 1.2% and 18.7% respectively to HK$520.0 million and HK$262.6 million for the year ended 31 December 2016 (for the year ended 31 December 2015: HK$513.7 million and HK$221.2 million respectively). Revenues of these two segments comprised 31.2% and 15.8% of the total hospitality supplies business segment revenue respectively.

North America, positioned as the second largest region of the Group's hospitality supplies business, recorded a revenue of HK$402.3 million for the year ended 31 December 2016 (for the year ended 31 December 2015: HK$416.0 million) and contributed 24.1% to the total segment revenue, down 3.3% compared to the same period in 2015 due to the intensified competition in this region. With traditional hospitality sector becoming increasingly competitive and dynamic, the Company is facing a saturated market and demanding clients with high standards while pursuing a reputation for excellence.

The same factor also applied to the Europe market. The Group registered an unsatisfactory revenue of HK$174.4 million for the year under review (for the year ended 31 December 2015: HK$204.0 million) which accounted for 10.5% of the total segment revenue, down 14.5% compared to 2015.

In terms of other Asia Pacific and Australia market, the total segment revenue of these two geographical segments recorded HK$301.6 million for the year ended 31 December 2016 (for the year ended 31 December 2015: HK$301.3 million), accounting for 18.1% of the total segment revenue.

Retail Business

During the year under review, the retail business of the Group in the PRC went on a scaling down period, as a result of the sluggish physical retail market in China, the aggressive expansion of online trading business, as well as the new consuming habit of younger generation ("Generation Z").

Despite the fact that China's economy is still going through a slow growth, online shopping has penetrated into the retail market at a remarkably strong pace, creating a threat to the traditional physical retail business. According to China's National Bureau of Statistics, online retail sales in China reached 5.16 trillion yuan in 2016, indicating a significant increase of 26.2% from 2015 — more than double of the growth rate of the overall retail sales of consumer goods. Moreover, with easier access to internet nowadays, Generation Z in China has flooded into online shopping instead of purchasing through traditional retail shops.

Excluding the reversal of net provision for legal compensation, recognition of the impairment of goodwill and intangible asset and corresponding reversal of deferred tax liability in 2015, the segment loss before income tax for the Group's retail business in 2016 compared with the same period in 2015 was widened by 38.2% to HK$37.5 million due to the impairment and direct written off of obsolete inventories and the expenses for relocation of the office of the retail business from Guangzhou to Shenzhen, the PRC, amounted to approximately HK$19.7 million. The number of the PRC retail chain outlets further plummeted from 543 as at 31 December 2015 to 387 as at 31 December 2016.

During the review year, the Group rolled out a budget-limiting strategy to pare overall retail business for the overall benefit of the Group. The Group strictly curtailed the related budget expenditure such as operations and promotion costs. The Group also trimmed down physical retail stores and relocated the office of its retail business from Guangzhou to Shenzhen, the PRC, which is closer to the Group's headquarter, in order to better manage costs. In addition, the Group retrenched the manpower of the retail business to further alleviate high staff costs.

Meanwhile, the self-labeled brand "everybody Labo" maintained stable performance as prior year due to the Group's cautious and steady operation strategy.

PROSPECTS

According to the World Bank, global growth is projected to advance to 2.7% in 2017. Growth in China is projected to slow down to 6.5% in 2017 and to 6.3% in 2018 to 2019, reflecting a soft external demand, heightened uncertainties about global trade prospects and slower private investments. UNWTO also projects international tourist arrivals worldwide to up to 4% in 2017.

Looking forward, management of the Group holds conservative attitude towards the entire business conditions of the coming year. The uncertainty arisen from the US new administration and the Europe intertwined economy after Britain's Exit from the European Union are expected to loom large. For example, UNWTO has already warned that the US travel ban on citizens of several Muslim-majority countries in January 2017 could affect demand for travel to the US. Moreover, the US new president has displayed a tougher stance towards China including trade tariffs and currency manipulating issues. Concerns over the relationship between China and the US have rung the alarm of a more cautious strategy adjustment from the Group.

In terms of hospitality supplies business, the Group will keep consolidating existing clients and enlarging the clientele worldwide. Apart from its existing production line in Shenzhen, the PRC, the Group plans to launch additional production lines including but not limited to the PRC, in order to cope with the future expansion of the Group, particularly the middle tier hotel customers and the Asia Pacific markets which the Group had not yet well developed. As an additional value added service, the OS&E business is anticipated to develop a more extensive clientele base while generating a continuous and steady growth in 2017.

Regarding the pessimistic forecast of traditional retail market in the PRC, the retail business of the Group is expected to proceed with a downtrend. Management predicts physical retail growth will remain sluggish while online business gains popularity among Generation Z in the PRC. The Group decides to follow the strategy of scaling down operation of retail business. While securing basic operations, the Group will limit the operating expenditures on this segment including operations, advertisements and promotions. The Group will also apply strict evaluations to existing franchisees and actively trim down inventory levels of cosmetics and fashion accessories.

To sum up, the Group will put ceaseless effort to fuel continual momentum of the hospitality supplies business in 2017 to guarantee the entire Group's steady growth. The hospitality supplies business will continue to be positioned as the core contributor of the Group's revenue. On the other hand, the retail business will slow down accordingly to leave space for resource to use on the hospitality supplies business.

MAJOR DISPOSAL

On 29 August 2016, an indirect wholly-owned subsidiary of the Company, East Pearl Assets Limited, entered into a sale and purchase agreement with an independent third party to dispose of the entire issued capital and shareholder's loan of Chartered Properties Limited. Chartered Properties Limited is an indirect wholly-owned subsidiary of the Company and owned the entire interest in the commercial properties (the "Property") with gross floor area of approximately 15,451 square feet and two car parking spaces in Hong Kong located at office units 501, 502, 503, 505 and 506 on the 5th Floor, Low Block, Grand Millennium Plaza, No. 181 Queen's Road Central, Hong Kong and car parking spaces numbers 331 and 332 on the 3rd Floor, High Block, Grand Millennium Plaza, No. 183 Queen's Road Central, Hong Kong respectively. The principal activity of Chartered Properties Limited is holding of the Property. The consideration for the disposal is HK$263.0 million. The disposal was completed on 30 November 2016. During the year, the fair value gain of the Property is HK$62.4 million and a gain on disposal of HK$11,000 was recognised as a result of the transaction.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's cash and cash equivalents amounted to HK$508.6 million (31 December 2015: HK$295.7 million).

In November 2009, the Group obtained a Hong Kong dollars ("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 the Property in Hong Kong. The Property were pledged against the mortgage loan and included in investment properties in the consolidated financial statements of the Group for the year ended 31 December 2015. During the year, the mortgage loan was settled when the Group disposed of an indirect wholly-owned subsidiary, Chartered Properties Limited, which held the Property.

In September and October 2015, the Group obtained two HK$ denominated mortgage loans 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 loans and certain banking facilities and included in property, plant and equipment in the consolidated financial statements of the Group, with net carrying value of approximately HK$54.7 million as at 31 December 2016 (31 December 2015: HK$57.0 million). As at 31 December 2016, the outstanding borrowings of this facility amounted to HK$18.5 million (31 December 2015: HK$20.4 million).

In October 2015, the Group obtained a HK$ denominated HIBOR loan which bore interest at 1.7% per annum over one month HIBOR for its working capital. The banking facilities were secured by property, plant and equipment in the consolidated financial statements of the Group, with net carrying value of approximately HK$4.1 million as at 31 December 2016 (31 December 2015: HK$4.3 million). As at 31 December 2016, the outstanding borrowing of this facility amounted to HK$7.7 million (31 December 2015: HK$9.7 million).

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

The gearing ratio at 31 December 2016, calculated on the basis of borrowings over total equity, was 2.7% as compared with 5.5% at 31 December 2015.

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 2016, certain subsidiaries of the Company pledged assets with aggregate carrying value of approximately HK$58.8 million (31 December 2015: HK$258.9 million) to secure drawn bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments are set out in Note 35(a) to the consolidated financial statements. The Group has no material contingent liabilities as at 31 December 2016.

EMPLOYEES

As at 31 December 2016, the total number of employees of the Group was approximately 3,800 and the employee benefit expenses including directors' emoluments were approximately HK$346.6 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 environmental-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, since 2015, our Group has started the cooperation with and make donation to Soap 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 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 55, 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 our 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 52, is an executive Director. He is 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. He is a member of Executive Committee. Mr. LIU has been responsible for sales and marketing since he joined our Group in May 1995. He oversees direct sales in the Greater China Region as well as the Southeast Asia markets. Mr. LIU has over 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 35, 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 44, 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. He joined the Group in July 2010 and he 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"). Mr. KEUNG is an independent non-executive director of Milestone Builder Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

NON-EXECUTIVE DIRECTOR

Ms. CHAN Yim Ching, aged 49, is a non-executive Director. Ms. CHAN was responsible for sales and marketing when she joined our 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 62, is an independent non-executive Director. He is the chairman of the Remuneration Committee and a member of Audit Committee. Mr. HUNG has over 20 years of senior management experience in managing hotel operations and hotel investments. He was a deputy managing director of Top Glory International Holdings Limited ("Top Glory"), a former Hong Kong listed company which was privatized in August 2003, in 1992 and acted as its executive director from July 1997 to January 2001. During the period with Top Glory, Mr. HUNG assisted Top Glory to develop and manage hotels/resorts. He resigned from such positions due to the restructuring of Top Glory (by its holding company). In 2005, Mr. HUNG started a hotel development consultancy service to work with various hotel developers and prestigious hotel chains on design and project management.

Mr. MA Chun Fung Horace, aged 46, is an independent non-executive Director. He is the chairman of Audit Committee and a member of each of the Remuneration Committee, Nomination Committee and Investment Committee. Mr. MA is a seasoned accountant with extensive experience in risk and internal control. Mr. MA is a Certified Public Accountant (Practicing) registered with the HKICPA, a fellow member of the ACCA, a Certified Internal Auditor registered with the Institute of Internal Auditors and holder of Certification of Control Self-Assessment of the Institute of Internal Auditors. Mr. MA also holds various degrees including Master of Science and Bachelor of Business Administration conferred by The Chinese University of Hong Kong and Bachelor of Laws conferred by the University of London. Mr. MA is currently the chief financial officer of S. Culture International Holdings Limited, the shares of which are listed on the Stock Exchange. 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 Saite Group Company Limited, 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 has been appointed as a non-executive Director since 9 July 2007 and resigned on 31 December 2012. He is a member of the Audit Committee and the Remuneration Committee. Mr. NG has over 20 years of management experience in different industries (including the hospitality amenity industry). He is the chairman of the International Quality Service Management Promotion Association (國際優質服務管理促進會) and a full member of the Hong Kong Management Association (香港管理專業協會). He had assisted a number of medium to large sized enterprises in formulating company development strategies and establishing management systems in the areas of sales and marketing, human resources and production management. Mr. NG is also a guest lecturer of Master of Business Administration programs and senior executive development programs of several universities. He had been a director of a number of non-listed companies and is currently a director of Advance Management Consultants Limited and Guangzhou Advance Cultural Events Limited. He received a master degree of Business Administration from the University of East Asia and a doctor degree of Philosophy in Business Administration from Tarlac State University.

Mr. SUN Yung Tson Eric, 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, 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. SUN Yung Tson Eric has been involved in investing KINOX products and pioneering KINOX brand exposure in emerging markets. Mr. SUN Yung Tson Eric 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. SUN Yung Tson Eric 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 as well as the founding Vice Chairman and Secretary General of Hong Kong O2O E-Commerce Federation stimulating digitalization and O2O business development of Hong Kong Industries. His effort on social responsibility 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. SUN Yung Tson Eric is the Chairman of Hong Kong Plastics Manufacturers Association Limited (香港塑膠業廠商會有限公司) and the Vice Chairman of The Hong Kong Exporters' Association (香港出口商會). Mr. SUN Yung Tson Eric practices active roles in different public services in both Hong Kong and China.

SENIOR MANAGEMENT

Ms. CHAN Yick Ning, aged 54, 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.

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 2016.

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 the principal subsidiaries of the Group are set forth in Note 29 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2016 is 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 2016, amounting to a total of approximately HK$14,200,000 was paid on 7 October 2016.

On 16 December 2016, a special dividend of HK20.0 cents per Share, amounting to a total of approximately HK$144,597,000, was approved by the Board and was paid on 20 January 2017.

The Directors recommend the payment of a final dividend of HK4.0 cents per Share for the year ended 31 December 2016. Subject to the approval by the Shareholders at the AGM to be held on 25 May 2017, the final dividend will be paid on or around 14 June 2017 to the Shareholders whose names appear on the register of members of the Company on 5 June 2017.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the AGM, the register of members will be closed from Friday, 19 May 2017 to Thursday, 25 May 2017 (both dates inclusive), during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, 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 Thursday, 18 May 2017.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members will be closed from Thursday, 1 June 2017 to Monday, 5 June 2017 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 31 May 2017.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the "Chairman's Statement" and "Management Discussion and Analysis" on pages 6 to 9 and pages 10 to 19 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 18 to 19.

A report on the environmental, social and governance aspects is being prepared with reference to Appendix 27 Environmental, Social and Governance Reporting Guide to the Listing Rules and will be published on the websites of the Company and the Stock Exchange.

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 regularly 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") and the share award scheme (the "Share Award Scheme") described on pages 31 to 34, at no time during the year was the Company or any of 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 and the Share Award Scheme described on pages 31 to 34, 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 issued in the year ended 31 December 2016 are set out in Note 20 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 2016 are set out in the consolidated statement of changes in equity on page 55 and Note 37 to the consolidated financial statements respectively.

As at 31 December 2016, distributable reserves of the Company amounted to approximately HK$882,547,000.

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 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 864,000 Shares at a total consideration of approximately HK$1,038,000.

DIRECTORS

The Directors during the year and up to 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 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 (appointed on 29 March 2016)
Mr. SUN Kai Lit Cliff *BBS, JP* (retired on 29 March 2016)

In accordance with article 130 of the Company's Articles of Association, Ms. CHAN Yim Ching, Mr. HUNG Kam Hung Allan, Mr. MA Chun Fung Horace and Mr. NG Bo Kwong shall retire at the AGM and being eligible, shall offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The reasons for considering Mr. SUN Yung Tson Eric independent is set out in the "Corporate Governance Report" on page 37 of this Report.

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 2016.

CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2016 is contained in Note 36 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 2016, 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	22.82%
	Personal	15,444,000	2.13%
Mr. CHING Chi Keung	Corporate *(Note 2)*	32,499,600	4.49%
	Personal *(Notes 3 & 10)*	4,000,000	0.55%
Mr. LIU Zigang	Corporate *(Note 4)*	20,057,200	2.77%
	Personal *(Notes 5 & 10)*	4,000,000	0.55%
Mr. CHING Tsun Wah	Personal	3,734,000	0.52%
	Family *(Note 6)*	775,000	0.11%
Mr. KEUNG Kwok Hung	Personal *(Notes 7 & 10)*	1,158,000	0.16%
Ms. CHAN Yim Ching	Corporate *(Note 2)*	32,499,600	4.49%
	Personal *(Notes 8 & 10)*	1,800,000	0.25%
Mr. HUNG Kam Hung Allan	Personal *(Notes 9 & 10)*	600,000	0.08%
Mr. MA Chun Fung Horace	Personal	600,000	0.08%
Mr. NG Bo Kwong	Personal	600,000	0.08%

Notes:

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

2. 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.

3. Mr. CHING Chi Keung held 2,000,000 Shares and options to subscribe for 2,000,000 Shares.

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

5. Mr. LIU Zigang held 2,000,000 Shares and options to subscribe for 2,000,000 Shares.

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

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

8. Ms. CHAN Yim Ching held options to subscribe for 1,800,000 Shares.

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

10. As at 31 December 2016, outstanding options granted to the above Directors under the Share Option Scheme conditionally 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 Keung	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000
Mr. LIU Zigang	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000
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	23-06-2013 to 22-06-2019	0.62	1,800,000
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

Save as disclosed above, as at 31 December 2016, 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 2016 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)*	22.82%
Ms. LO Kit Ling	Family interest	180,610,600 *(Note 1)*	24.95%
Ms. PO Fung Kiu	Family interest	36,499,600 *(Note 2)*	5.04%
Mr. David Michael WEBB	Beneficial owner and interest of controlled corporation	71,352,000 *(Note 3)*	9.86%

Notes:

1. 165,166,600 Shares were owned by Prosper Well, which is wholly-owned by Mr. CHING Chi Fai (the chairman of the Company and an executive Director). Mr. CHING Chi Fai also beneficially owned 15,444,000 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. 46,301,000 Shares were held by Preferable Situation Assets Limited, which is wholly-owned by Mr. David Michael WEBB who also beneficially owned 25,051,000 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 with reference to market conditions and the performance, qualifications and experience of individual employees. Discretionary bonuses are paid on an annual basis based on the results of the Group, individual performance and other relevant factors. The Company has also introduced the key performance indicators assessment scheme to boost performance and operational efficiency.

The Company has also adopted the Share Option Scheme and the Share Award Scheme to recognise and reward the eligible employees for their contributions to the business and development of the Group.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 5 October 2007 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 2016	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2016
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	1,300,000	—	(1,300,000)	—	—	—
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	—	(200,000)	—	—	1,800,000
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. 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	3,132,500	—	(1,307,500)	—	—	1,825,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	4,845,500	—	(2,133,500)	—	(194,000)	2,518,000
	04-09-2012	09-09-2012 to 08-09-2021	0.62	4,163,000[1]	—	(3,119,000)	—	(50,000)	994,000
	04-09-2012	09-09-2013 to 08-09-2021	0.62	4,721,000[1]	—	(3,677,000)	—	(50,000)	994,000
	04-09-2012	04-09-2013 to 03-09-2022	0.62	1,050,500	—	(496,000)	—	(150,000)	404,500
	04-09-2012	04-09-2014 to 03-09-2022	0.62	1,162,500	—	(496,000)	—	(150,000)	516,500
Total				**33,808,000**	**—**	**(18,404,000)**	**—**	**(594,000)**	**14,810,000**

Notes:

1. 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.

2. The weighted average closing price immediately before the date on which the options were exercised for the year ended 31 December 2016 was HK$1.17 per Share (for the year ended 31 December 2015: HK$0.95 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 14,034,000 which represents approximately 1.94% of the total number of issued Share.

(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 2 November 2007 (the date on which the Share Option Scheme become unconditional) unless terminated earlier by Shareholders in general meeting.

SHARE AWARD SCHEME

On 23 September 2016, the Company adopted the Share Award Scheme in which the Group's employees, directors, consultants or advisers are entitled to participate. During the year ended 31 December 2016, a sum of approximately HK$1,038,000 has been used to acquire 864,000 Shares from market by the independent trustee (Bank of Communications Trustee Limited (which is independent and not connected with the Company)). No Shares have been granted to eligible persons under the Share Award Scheme up to the date of this report.

The objectives of the Share Award Scheme are (i) to recognise the contributions by certain eligible persons; and (ii) to offer suitable incentives to attract and retain targeted talent and personnel for the continuance of operations and future development of the Group.

The Share Award Scheme shall be subject to the administration of the Board and the independent trustee in accordance with the scheme rules and the trust deed of the Share Award Scheme. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on its adoption date (i.e. 23 September 2016).

The Board shall not make any further award of awarded shares which will result in the nominal value of the Shares awarded by the Board under the Share Award Scheme exceeding 5% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

Details of the Share Award Scheme were set out in the announcement of the Company dated 23 September 2016.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 December 2016 attributable to the Group's major customers and suppliers are as follows:

Sales	
— the largest customer	5.7%
— five largest customers combined	22.3%
Purchases	
— largest supplier	8.0%
— five largest suppliers combined	17.2%

The five largest customers and suppliers of the Group accounted for less than 30% of the Group's revenue and purchases respectively for the year ended 31 December 2016.

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$138,000.

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, 30 March 2017

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 2016, 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 2016, 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 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 (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, the AGM and the extraordinary general meeting ("EGM") during the year ended 31 December 2016 is as follows:

	Number of meetings attended/held					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	AGM	EGM
Executive Directors						
Mr. CHING Chi Fai *(Chairman)*	6/6	—	2/2	1/1	1/1	1/1
Mr. CHING Chi Keung	6/6	—	—	—	1/1	1/1
Mr. LIU Zigang	6/6	—	—	—	1/1	1/1
Mr. CHING Tsun Wah	6/6	—	—	—	1/1	1/1
Mr. KEUNG Kwok Hung	6/6	—	—	—	1/1	1/1
Non-executive Director						
Ms. CHAN Yim Ching	6/6	—	—	—	1/1	1/1
Independent non-executive Directors						
Mr. HUNG Kam Hung Allan	6/6	3/3	2/2	—	1/1	1/1
Mr. MA Chun Fung Horace	6/6	3/3	2/2	1/1	1/1	1/1
Mr. NG Bo Kwong	6/6	3/3	2/2	—	1/1	1/1
Mr. SUN Yung Tson Eric (appointed on 29 March 2016)	5/5	1/1	1/1	—	1/1	1/1
Mr. SUN Kai Lit Cliff (retired on 29 March 2016)	1/1	2/2	1/1	1/1	—	—

Each executive Director has entered into a service contract with the Company for a term of three years while each non-executive Director and independent non-executive Director has entered into an appointment letter with the Company for a term of one year (save that the term of appointment of Mr. SUN Yung Tson Eric is from 29 March 2016 to 20 September 2017). 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. 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. SUN Yung Tson Eric, 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. SUN Kai Lit Cliff, who was appointed as an independent non-executive Director on 9 July 2007, served the Group for more than 8 years before his retirement and was 62 years old at the time of his retirement. Mr. SUN Kai Lit Cliff would like to devote more time with his family members and so retired and resigned as an independent non-executive Director on 29 March 2016. Mr. SUN Yung Tson Eric, being Mr. SUN Kai Lit Cliff's son, 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. SUN Kai Lit Cliff and fill the vacancy on 29 March 2016 (the "Appointment").

The Board considered that the Appointment was beneficial to the Group and the reasons were set out in the Company's announcement dated 29 March 2016 and page 29 of the Company's 2015 Annual Report.

Notwithstanding his relationship with Mr. SUN Kai Lit Cliff, the Board considered Mr. SUN Yung Tson Eric independent for the following reasons:

Save that Mr. SUN Yung Tson Eric is only connected with the former independent non-executive Director, namely Mr. SUN Kai Lit Cliff, both Mr. SUN Kai Lit Cliff and Mr. SUN Yung Tson Eric met the requirements of independence as set out in Rule 3.13 of the Listing Rules. Save as disclosed, Mr. SUN Yung Tson Eric 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 considered that Mr. SUN Yung Tson Eric was also independent and his independence should not be affected by reason of only being the son of Mr. SUN Kai Lit Cliff who was a former independent non-executive Director.

Mr. CHING Chi Keung, an executive Director, is the brother of Mr. CHING Chi Fai who is the chairman of the Company 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 2016, six 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 2016, except that Ms. CHAN Yim Ching, the non-executive Director, without notifying the Chairman of the Company for the purpose of acknowledgement of her dealing, disposed of 500,000 Shares on 13 September 2016; and Mr. CHING Tsun Wah, the executive Director, without notifying the Chairman of the Company for the purpose of acknowledgement of his dealing, disposed of 100,000 Shares and 50,000 Shares on 16 and 29 November 2016 respectively. The Company shall reiterate and remind the Directors from time to time in respect of the relevant procedures, rules and requirements in relation to directors' dealing in order to ensure the directors' compliance.

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 2016.

AUDIT COMMITTEE

The members of the Audit Committee are Mr. MA Chun Fung Horace, Mr. HUNG Kam Hung Allan, Mr. NG Bo Kwong and Mr. SUN Yung Tson Eric (appointed on 29 March 2016 to substitute Mr. SUN Kai Lit Cliff who 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 and the effectiveness of the audit process;
- 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 review the Group's financial control, internal control and risk management systems;
- 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 ensure co-ordination between the internal and external auditors and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- 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 2016, 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, terms of engagement for the audit and the determination and reporting of key audit matters;
- 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;
- reviewing the effectiveness of the risk management and internal control systems of the Group involving financial, operational and compliance control; and
- considering and reviewing the proposals of internal audit plan.

Three meetings were held by the Audit Committee during the year ended 31 December 2016.

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 and Mr. SUN Yung Tson Eric (appointed on 29 March 2016 to substitute Mr. SUN Kai Lit Cliff who 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 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;
- considered and recommended the director's fee of Mr. SUN Yung Tson Eric, who was appointed as an independent non-executive Director on 29 March 2016; and
- considered and reviewed the proposal of the Share Award Scheme.

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 2016.

The remuneration of senior management by band for the year ended 31 December 2016 is as follows:

	Number of individuals 2016
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 and Mr. SUN Yung Tson Eric (appointed on 29 March 2016 to substitute Mr. SUN Kai Lit Cliff who 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 2016 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 consider the re-election of Directors at the AGM;
- to assess the independence of the independent non-executive Directors; and
- to consider the retirement of Mr. SUN Kai Lit Cliff and the appointment of Mr. SUN Yung Tson Eric as an independent non-executive Director.

One meeting was held by the Nomination Committee during the year ended 31 December 2016.

INVESTMENT COMMITTEE

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

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

One meeting was held by the Investment Committee during the year ended 31 December 2016.

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 participating 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 Yung Tson Eric	✓	—

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 and senior management, 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 AND RISK MANAGEMENT

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 prioritize risks for the business to be addressed by management. At least on an annual basis, management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 December 2016, the Board appointed a professional consulting firm (the "Firm") with the responsibility to conduct internal audit function and assess risks of the Company and perform the agreed-upon procedures in relation to the internal controls of the business of the Group. The Audit Committee and the management will follow up the suggestions from the Firm to further improve the internal control system. The Group is committed to the identification, monitoring and management of risks associated with its business activities.

The Board has conducted a review of the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2016 and is satisfied with the scope and effectiveness of the systems. The review included but was not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

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. External auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and independence of the auditor in relation to the conduct of the audit.

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 Unit D3, 8/F, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, 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 2016, 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 46 to 50 of this report.

AUDITOR'S REMUNERATION

The external auditor of the Company is PricewaterhouseCoopers. For the year ended 31 December 2016, the fees payable by the Company to the external auditor are listed as below:

- HK$2,600,000 for the performance of audit services; and
- HK$661,000 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, 30 March 2017

INDEPENDENT AUDITOR'S REPORT

pwc

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

OPINION

What we have audited

The consolidated financial statements of Ming Fai International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 120, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of trade receivables *Refer to Notes 4 and 12 to the consolidated financial statements for the related disclosures.* As at 31 December 2016, the provision for impairment of trade receivables amounted to HK$51.5 million, of which HK$51.2 million was attributable to customers located in the People's Republic of China (the "PRC"). Customers located in the PRC generally has a slower settlement pattern and may settle after the contractual credit period. Management performed credit monitoring, which included the periodic review of customers' credit worthiness, collection of outstanding balances, latest business development and individual credit terms. If there is indicator that the trade receivables are impaired, such as defaults of the debtors or if debtors encounter significant financial difficulties, management would individually assess trade receivables for impairment with reference to the recoverable amount. We focused on this area due to the estimation and judgement involved in the collectability of trade receivables.	We understood and validated the credit control procedures performed by management, including its procedures on periodic review on aged trade receivables, and assessment on recoverability of these receivables. We have reviewed the aging profile on trade receivables, including focusing on the aged trade receivables for which no provision had been made. We tested the subsequent settlement of these balances. For unsettled trade receivables, we enquired management on the reasons for which receivables being outstanding, and if actions had been taken in recovering the long outstanding receivables, and assessed if additional provision should be made. Based upon the above, we found that the estimation and judgement made by management in respect of collectability of trade receivables were supportable by the available evidence .

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Tak Wai, Daniel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2017

CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Land use rights	*6*	**38,006**	41,740
Property, plant and equipment	*7*	**265,164**	279,663
Investment properties	*8*	**13,285**	207,104
Intangible assets	*9(b)*	**1,852**	2,805
Long-term prepayments and deposits	*14*	**4,272**	6,366
Investment in an associated company		**2,256**	1,111
Investments in joint ventures		**210**	213
Deferred income tax assets	*10*	**6,019**	7,602
Total non-current assets		**331,064**	546,604
Current assets			
Inventories	*11*	**238,296**	209,439
Trade and bills receivables	*12*	**533,381**	478,655
Amount due from an associated company	*13*	**5,175**	8,627
Amounts due from joint ventures		**54**	35
Tax recoverable		**3,909**	17
Deposits, prepayments and other receivables	*14*	**33,432**	46,756
Restricted cash	*15*	**—**	35,819
Short-term bank deposit	*16*	**68**	—
Cash and cash equivalents	*17*	**508,616**	295,693
Total current assets		**1,322,931**	1,075,041
Total assets		**1,653,995**	1,621,645
EQUITY			
Equity attributable to owners of the Company			
Share capital	*20*	**7,238**	7,054
Reserves		**966,483**	1,002,787
Final dividend proposed	*33*	**28,985**	21,173
		1,002,706	1,031,014
Non-controlling interests		**(27,670)**	(19,636)
Total equity		**975,036**	1,011,378

The notes on pages 57 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*21*	**—**	19,439
Deferred income tax liabilities	*10*	**2,612**	2,740
Total non-current liabilities		**2,612**	22,179
Current liabilities			
Current portion of long-term bank borrowings	*21*	**26,244**	36,539
Trade payables	*22*	**208,895**	240,540
Accruals and other payables	*23*	**263,427**	288,447
Current income tax liabilities		**19,514**	9,917
Loans from non-controlling interests	*24*	**13,592**	12,587
Amount due to a joint venture		**—**	14
Dividends payable		**144,675**	44
Total current liabilities		**676,347**	588,088
Total liabilities		**678,959**	610,267
Total equity and liabilities		**1,653,995**	1,621,645

The consolidated financial statements on page 51 to 120 were approved by the Board of Directors on 30 March 2017 and were signed on its behalf.

CHING Chi Fai
Director

CHING Tsun Wah
Director

The notes on pages 57 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2016 HK$'000	2015 HK$'000
Revenue	5	**1,698,005**	1,710,885
Cost of sales	25	**(1,243,783)**	(1,293,015)
Gross profit		**454,222**	417,870
Distribution costs	25	**(186,065)**	(185,248)
Administrative expenses	25	**(157,223)**	(138,138)
Other income	26	**12,177**	10,583
Reversal of net provision for legal compensation	32	**—**	34,905
Impairment of intangible asset	9(b), 32	**—**	(7,764)
Impairment of goodwill	9(a)	**—**	(331,545)
Operating profit/(loss)		**123,111**	(199,337)
Finance income	28	**750**	832
Finance costs	28	**(905)**	(507)
Share of profit of an associated company		**1,476**	149
Share of profit/(losses) of joint ventures		**11**	(436)
Fair value gains on investment properties	8	**66,996**	—
Profit/(loss) before income tax		**191,439**	(199,299)
Income tax expenses	30	**(42,355)**	(26,839)
Profit/(loss) for the year		**149,084**	(226,138)
Other comprehensive (loss)/income			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Currency translation differences		**(15,828)**	(27,413)
Realisation of exchange reserve upon dissolution of a subsidiary		**—**	4
Total comprehensive income/(loss) for the year		**133,256**	(253,547)
Profit/(loss) attributable to:			
Owners of the Company		**157,443**	(221,864)
Non-controlling interests		**(8,359)**	(4,274)
		149,084	(226,138)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**141,290**	(249,350)
Non-controlling interests		**(8,034)**	(4,197)
		133,256	(253,547)
Earnings/(loss) per share attributable to owners of the Company (expressed in HK cents per share)			
— Basic	31(a)	**22.2**	(31.6)
— Diluted	31(b)	**21.9**	(31.6)
Dividends			
Interim dividend paid	33	**14,200**	14,100
Special dividend payable	33	**144,597**	—
Final dividend proposed	33	**28,985**	21,173
		187,782	35,273

The notes on pages 57 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 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)/income						
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)
Exercise of share options *(Note 20)*	68	4,180	—	4,248	—	4,248
Final dividend relating to 2014	—	—	(21,101)	(21,101)	—	(21,101)
Interim dividend relating to 2015	—	—	(14,100)	(14,100)	—	(14,100)
Dividends paid to non-controlling interests	—	—	—	—	(340)	(340)
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 57 to 120 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company						
	Share capital HK$'000	Shares held under the share award scheme (the "Scheme") HK$'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 2016	7,054	—	595,679	428,281	1,031,014	(19,636)	1,011,378
Comprehensive income/(loss)							
Profit/(loss) for the year	—	—	—	157,443	157,443	(8,359)	149,084
Other comprehensive (loss)/income							
Currency translation differences	—	—	—	(16,153)	(16,153)	325	(15,828)
Total comprehensive income/(loss)	—	—	—	141,290	141,290	(8,034)	133,256
Exercise of share options *(Note 20)*	184	—	11,226	—	11,410	—	11,410
Purchase of shares held under the Scheme *(Note 19(b))*	—	(1,038)	—	—	(1,038)	—	(1,038)
Final dividend relating to 2015 *(Note 33)*	—	—	—	(21,173)	(21,173)	—	(21,173)
Interim dividend relating to 2016 *(Note 33)*	—	—	—	(14,200)	(14,200)	—	(14,200)
Special dividend in 2016 *(Note 33)*	—	—	—	(144,597)	(144,597)	—	(144,597)
Balance at 31 December 2016	7,238	(1,038)	606,905	389,601	1,002,706	(27,670)	975,036

The notes on pages 57 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash generated from operations	*34(a)*	**45,128**	143,385
Interest paid	*28*	**(905)**	(507)
Income tax paid		**(33,785)**	(39,148)
Net cash generated from operating activities		**10,438**	103,730
Cash flows from investing activities			
Purchase of property, plant and equipment		**(40,158)**	(103,198)
Purchase of land use rights		**—**	(25,690)
Purchase of intangible assets		**(397)**	(809)
Proceeds from disposal of property, plant and equipment	*34(b)*	**4,795**	537
Net cash inflow arising from disposal of a subsidiary	*34(c)*	**259,511**	—
Interest received	*28*	**750**	832
Dividends received from an associated company		**192**	20
Net cash inflow arising from dissolution of joint venture		**14**	—
Net cash outflows arising from disposal of a subsidiary		**—**	(510)
Net cash generated/(used) in investing activities		**224,707**	(128,818)
Cash flows from financing activities			
Purchase of shares held under the Scheme		**(1,038)**	—
Proceeds from borrowings	*34(d)*	**60,000**	30,800
Repayments of borrowings	*34(d)*	**(89,734)**	(7,266)
Short term bank deposit with maturity over 3 months		**(69)**	—
Dividends paid to owners of the Company		**(35,339)**	(35,196)
Proceeds from loans from non-controlling interests	*34(d)*	**1,005**	2,061
Decrease in restricted cash		**34,998**	—
Proceeds from exercise of share options	*19(a)*	**11,410**	4,248
Net cash used in financing activities		**(18,767)**	(5,353)
Net increase/(decrease) in cash and cash equivalents		**216,378**	(30,441)
Cash and cash equivalents at the beginning of the year		**295,693**	328,410
Exchange losses on cash and cash equivalents		**(3,455)**	(2,276)
Cash and cash equivalents at the end of the year	*17*	**508,616**	295,693

The notes on pages 57 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") through franchisees.

The Company was incorporated in the Cayman Islands on 29 May 2007 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands. Its registered address is at the office of M&C Corporate Services Limited, P.O. Box 309 GT, 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 30 March 2017.

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 ("HKFRSs") 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 values.

The preparation of financial statements in conformity with HKFRSs 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 2016:

- Accounting for acquisitions of interests in joint operations — Amendments to HKFRS 11
- Clarification of acceptable methods of depreciation and amortisation — Amendments to Hong Kong Accounting Standard ("HKAS") 16 and HKAS 38
- Annual improvements to HKFRSs 2012–2014 cycle, and
- Disclosure initiative — Amendments to HKAS 1.

The adoption of these amendments do not have any material impact to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017 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"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities. Further, the new rules introduced for hedge accounting is not relevant as the Group currently does not apply hedge accounting.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service — the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

HKFRS 15, "Revenue from contracts with customers" (Continued)

- rights of return — HKFRS 15 requires separate presentation on the consolidated balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's consolidated financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$20,659,000, see Note 35(b). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(d) Subsidiaries

Consolidation

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

Business combinations

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries (Continued)

Business combinations (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

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

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.

Change in ownership interests in subsidiaries

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries (Continued)

Disposal of subsidiaries

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 a 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.

Separate financial statements

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.

(e) 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. Upon the acquisition of the ownership interest in an associate company, any difference between the cost of the associate company and the Group's share of the net fair value of the associate company's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated statement of comprehensive income where appropriate.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associated company (Continued)

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.

(f) 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.

(g) 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.

(h) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

— all resulting 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 the owners of the Company are reclassified to profit or loss.

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

(i) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

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.

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.

(j) 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 50 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investment properties

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

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

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

(l) 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.

(m) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Intangible assets (Continued)

(ii) Brandname

Brandname acquired in a business combination is recognised at fair value at the acquisition date. The brand name 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 brand name of 10 years.

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

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

Impairment testing of the investments in subsidiaries, associated companies or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

(o) 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, short term bank deposit 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 recognized 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)

(p) 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.

(q) 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 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.

(r) 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.

(s) 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)

(t) Borrowings

Borrowings are recognised initially at fair values, 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.

(u) 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)

(v) 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)

(v) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefits (Continued)

(iv) Share-based compensation (Continued)

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.

(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.

(w) 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.

(x) Revenue recognition

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Revenue recognition (Continued)

(i) Sales of goods

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

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

(ii) Rental income

Rental income from investment properties is 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.

(y) 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.

(z) 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.

(aa) 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

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

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

At 31 December 2016, if HK$ had strengthened/weakened by 5% against the RMB, with all other variables held constant, post-tax profit for the year would have been approximately HK$2,257,000, higher or lower (for the year ended 31 December 2015: post-tax loss of HK$1,826,000, lower or higher), mainly as a result of foreign exchange differences on translation of RMB denominated net payables.

At 31 December 2016, if RMB had strengthened/weakened by 5% against the US$, with all other variables held constant, post-tax profit for the year would have been approximately HK$11,758,000, higher or lower (for the year ended 31 December 2015: post-tax loss of HK$12,137,000, lower or higher), mainly as a result of foreign exchange differences on translation of US$ 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 21 to the consolidated financial statements.

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

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

Based on the simulations performed, the impact on post-tax profit of a 100 basis-point shift would be a maximum increase/decrease of HK$285,000 (for the year ended 31 December 2015: post-tax loss of a 100 basis-point shift would be a maximum decrease/increase of HK$400,000) for the year ended 31 December 2016 mainly as a result of change in interest rates on short term bank deposits and bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(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, short-term bank deposits, restricted cash, amount due from an associated company, amounts due from joint ventures, as well as credit exposures to trade and bills receivables. Management has policies in place to monitor the exposures to these credit risks on an ongoing basis.

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

The table below shows the credit limit and balance of the five major debtors at 31 December 2016 and 31 December 2015.

	As at 31 December			
	2016		2015	
Counterparty	**Credit limit HK$'000**	**Utilised HK$'000**	Credit limit HK$'000	Utilised HK$'000
A	**32,000**	**31,312**	30,000	28,311
B	**32,000**	**31,069**	27,000	22,033
C	**27,000**	**26,258**	15,000	12,308
D	**24,000**	**23,782**	22,000	18,231
E	**22,000**	**20,307**	10,000	7,054
F	**36,000**	**19,886**	36,000	17,931

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

	As at 31 December	
	2016 HK$'000	2015 HK$'000
Trade and bills receivables		
Customers accepted within the past 12 months	**14,182**	19,733
Customers accepted beyond the past 12 months	**287,197**	241,187
Total	**301,379**	260,920

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

The restricted cash, short-term bank deposit and cash and cash equivalents are analysed below:

	As at 31 December	
	2016 **HK$'000**	2015 HK$'000
Cash and cash equivalents		
Cash at banks and bank deposits		
Listed financial institutions	**503,182**	277,484
Unlisted financial institutions	**4,211**	16,945
	507,393	294,429
Cash on hand	**1,223**	1,264
Total	**508,616**	295,693
Restricted cash		
Listed financial institution	**—**	35,819
Short-term bank deposit		
Listed financial institution	**68**	—

(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 by keeping sufficient cash.

As at 31 December 2016, the cash and cash equivalents of the Group approximated HK$508,616,000 (31 December 2015: HK$295,693,000).

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 and the earliest date the Group can be required to pay. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

Specifically, as at 31 December 2016, for bank borrowings 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 earliest period in which the Group can be required to pay, that is if the lender were to invoke their unconditional rights to call the loans with immediate effect.

	On Demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2016						
Borrowings — principal portion	**26,244**	**—**	**—**	**—**	**—**	**26,244**
Trade payables	**—**	**208,895**	**—**	**—**	**—**	**208,895**
Accruals and other payables	**—**	**141,481**	**—**	**—**	**—**	**141,481**
Loans from non-controlling interests	**13,592**	**—**	**—**	**—**	**—**	**13,592**
Dividends payable	**—**	**144,675**	**—**	**—**	**—**	**144,675**
At 31 December 2015						
Borrowings — principal portion	30,006	6,533	6,598	12,841	—	55,978
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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

The table below analyses the bank borrowings of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date without taking into consideration the effect of repayment on demand clause, while interest payments are computed using contractual rates.

	Within 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
As at 31 December 2016					
Borrowings:					
— principal portion	**4,083**	**3,977**	**9,854**	**8,330**	**26,244**
— interest portion	**543**	**430**	**810**	**346**	**2,129**
	4,626	**4,407**	**10,664**	**8,676**	**28,373**
As at 31 December 2015					
Borrowings:					
— principal portion	10,446	10,549	24,590	10,393	55,978
— Interest portion	769	628	1,067	490	2,954
	11,215	11,177	25,657	10,883	58,932

(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	
	2016 **HK$'000**	2015 HK$'000
Borrowings	**26,244**	55,978
Total equity	**975,036**	1,011,378
Gearing ratio	**2.7%**	5.5%

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 2016, the Group maintains cash and cash equivalents of approximately HK$508,616,000 (31 December 2015: approximately HK$295,693,000) 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, short-term bank deposit, 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 2016.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 profit/(loss) before income tax, share of profit of an associated company, share of profit/(losses) of joint ventures and fair value gains on investment properties.

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$'000	Other Asia Pacific regions *(Note i)* HK$'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 2016													
Segment revenue	402,317	174,442	521,249	262,730	49,787	251,791	4,929	1,667,245	32,187	300	32,487	—	1,699,732
Inter-segment revenue	—	—	(1,208)	(118)	—	—	—	(1,326)	(401)	—	(401)	—	(1,727)
Revenue from external customers	402,317	174,442	520,041	262,612	49,787	251,791	4,929	1,665,919	31,786	300	32,086	—	1,698,005
Earnings/(loss) before interest, taxes, depreciation, amortisation and fair value gains on investment properties	60,211	18,990	39,735	33,626	3,361	32,679	810	189,412	(33,652)	(1,757)	(35,409)	7,651	161,654
Depreciation	(7,038)	(3,052)	(9,098)	(4,594)	(871)	(4,405)	(86)	(29,144)	(1,555)	(146)	(1,701)	(5,314)	(36,159)
Amortisation	(468)	(203)	(605)	(305)	(58)	(293)	(6)	(1,938)	(270)	(78)	(348)	(98)	(2,384)
Finance income	—	—	623	124	—	—	—	747	3	—	3	—	750
Finance costs	—	—	(21)	(605)	—	(39)	—	(665)	—	—	—	(240)	(905)
Segment profit/(loss) before income tax	52,705	15,735	30,634	28,246	2,432	27,942	718	158,412	(35,474)	(1,981)	(37,455)	1,999	122,956
Share of profit of an associated company													1,476
Share of profit of joint ventures													11
Fair value gains on investment properties *(Note 8)*													66,996
Income tax expenses													(42,355)
Profit for the year													149,084

	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 2016											
Total assets	895,131	818,990	1,558	54,872	1,770,551	56,532	1,796	58,328	113,851	(288,735)	1,653,995
Include:											
Investment in an associated company	—	2,256	—	—	2,256	—	—	—	—	—	2,256
Investments in joint ventures	—	—	—	210	210	—	—	—	—	—	210
Additions to non-current assets (other than deferred income tax assets)	25,245	8,638	10	6,636	40,529	836	—	836	—	—	41,365
Total liabilities	339,281	313,300	16	8,414	661,011	122,686	53,655	176,341	130,342	(288,735)	678,959

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$'000	Other Asia Pacific regions *(Note i)* HK$'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 assets, 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													34,905
Impairment of intangible asset													(7,764)
Impairment of goodwill													(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)

Notes:

(i) Other Asia Pacific regions mainly include the Macau Special Administrative Region of the PRC, 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 and India.

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

6 LAND USE RIGHTS

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

	2016 HK$'000	2015 HK$'000
At 1 January	**41,740**	18,365
Additions	**—**	25,690
Amortisation *(Note 25)*	**(1,068)**	(711)
Exchange differences	**(2,666)**	(1,604)
At 31 December	**38,006**	41,740

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

	2016 HK$'000	2015 HK$'000
Cost of sales	**232**	89
Distribution costs	**738**	518
Administrative expenses	**98**	104
	1,068	711

As at 31 December 2016, certain land use rights of aggregate net carrying value of approximately HK$1,744,000 (31 December 2015: HK$1,921,000) were pledged as securities for banking facility of the Group (Note 21).

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$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2015									
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
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	31,652	55,010	2,629	1,439	815	820	25,793	1,453	119,611
Disposals *(Note 34(b))*	—	—	—	—	(8)	—	(255)	—	(263)
Depreciation *(Note 25)*	(337)	(7,479)	(5,817)	(2,437)	(2,339)	(1,437)	(15,515)	—	(35,361)
Impairment *(Note (i))*	—	—	—	—	—	—	(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

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 2016									
Opening net book amount	34,176	128,432	27,495	5,697	3,268	2,316	76,871	1,408	279,663
Additions	—	—	8,748	5,719	2,011	224	22,502	1,046	40,250
Disposals *(Note 34(b))*	—	—	(387)	—	(49)	—	(4,606)	—	(5,042)
Depreciation *(Note 25)*	(1,086)	(9,193)	(5,927)	(2,685)	(2,080)	(1,156)	(14,032)	—	(36,159)
Transfer upon completion	—	2,421	—	—	—	—	—	(2,421)	—
Exchange differences	—	(6,352)	(1,687)	(218)	(218)	(105)	(4,935)	(33)	(13,548)
Closing net book amount	33,090	115,308	28,242	8,513	2,932	1,279	75,800	—	265,164
At 31 December 2016									
Cost	35,208	181,900	90,732	24,177	17,475	17,748	182,706	—	549,946
Accumulated depreciation and impairment	(2,118)	(66,592)	(62,490)	(15,664)	(14,543)	(16,469)	(106,906)	—	(284,782)
Net book amount	33,090	115,308	28,242	8,513	2,932	1,279	75,800	—	265,164

Note:

(i) 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:

	2016 HK$'000	2015 HK$'000
Cost of sales	**20,943**	19,754
Distribution costs	**3,966**	4,085
Administrative expenses	**11,250**	11,522
	36,159	35,361

As at 31 December 2016, certain property, plant and equipment with aggregate net carrying value of approximately HK$71,049,000 (31 December 2015: HK$76,497,000) were pledged as securities for banking facilities of the Group (Note 21).

8 INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
At 1 January	**207,104**	207,554
Revaluation gain	**66,996**	—
Disposal *(Note 34(c))*	**(260,000)**	—
Exchange differences	**(815)**	(450)
At 31 December	**13,285**	207,104

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

	2016 HK$'000	2015 HK$'000
Rental income *(Note 26)*	**6,848**	6,934
Direct operating expense arising from investment properties that generate rental income *(Note 25)*	**31**	114

(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 2016 and 2015. The following table analyses the investment properties carried at fair value.

Fair value hierarchy

	Fair value measurements at 31 December 2016 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 property	—	**13,285**	—

8 INVESTMENT PROPERTIES (Continued)

(a) (Continued)

Fair value hierarchy (Continued)

	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	—

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) As at 31 December 2015, investment properties with an aggregated net carrying amount of HK$197,600,000 were pledged as security for mortgage loan drawn by the Group (Note 21). These investment properties were disposed as part of the disposal of an indirect wholly-owned subsidiary, Chartered Properties Limited ("CPL"), during the year ended 31 December 2016 (Note 34(c)).

(c) Details of the investment properties:

Address of investment property	Existing use	Tenure
Room 101, Chuntian Garden, No. 6, Lane 999, Loushanguan Road, Changning District, Shanghai City, the PRC	31 December 2016: Rental (31 December 2015: Rental)	The property is held under long term lease

8 INVESTMENT PROPERTIES (Continued)

(d) At 31 December 2016, 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:

	2016 HK$'000	2015 HK$'000
Within one year	**590**	7,620
Later than one year but no later than 5 years	**633**	13,348
	1,223	20,968

9 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	2016 HK$'000	2015 HK$'000
At 1 January	**—**	347,248
Impairment of goodwill	**—**	(331,545)
Exchange differences	**—**	(15,703)
At 31 December	**—**	—

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. 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.

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.

Management determined budgeted gross margin and average growth of retail chain outlets and 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.

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 2015					
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 25)*	(134)	—	(1,717)	(1,255)	(3,106)
Impairment *(Note 32)*	—	—	(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
Year ended 31 December 2016					
Opening net book amount	**508**	**—**	**—**	**2,297**	**2,805**
Additions	**311**	**—**	**—**	**86**	**397**
Amortisation *(Note 25)*	**(193)**	**—**	**—**	**(1,123)**	**(1,316)**
Exchange differences	**—**	**—**	**—**	**(34)**	**(34)**
Closing net book amount	**626**	**—**	**—**	**1,226**	**1,852**
At 31 December 2016					
Cost	**1,588**	**968**	**15,555**	**7,082**	**25,193**
Accumulated amortisation and impairment	**(962)**	**(968)**	**(15,555)**	**(5,856)**	**(23,341)**
Net book amount	**626**	**—**	**—**	**1,226**	**1,852**

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:

	2016 HK$'000	2015 HK$'000
Distribution costs	—	1,717
Administrative expenses	**1,316**	1,389
	1,316	3,106

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:

	2016 HK$'000	2015 HK$'000
Deferred income tax assets		
— Deferred income tax assets to be realised after more than twelve months	**6,019**	7,602
Deferred income tax liabilities		
— Deferred income tax liabilities to be settled after more than twelve months	**(2,612)**	(2,740)
Deferred income tax assets, net	**3,407**	4,862

10 DEFERRED INCOME TAX (Continued)

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

	2016 HK$'000	2015 HK$'000
At 1 January	**4,862**	2,637
Recognised in the consolidated statement of comprehensive income *(Note 30)*	**(1,874)**	2,375
Derecognised by disposal of a subsidiary *(Note 34(c))*	**729**	—
Exchange differences	**(310)**	(150)
At 31 December	**3,407**	4,862

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 2015	(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)**
Recognised in the consolidated statement of comprehensive income	**(912)**	**188**	**—**	**(724)**
Derecognised by disposal of a subsidiary *(Note 34(c))*	**729**	**—**	**—**	**729**
Exchange differences	**—**	**123**	**—**	**123**
At 31 December 2016	**(902)**	**(1,710)**	**—**	**(2,612)**

10 DEFERRED INCOME TAX (Continued)

Deferred income tax assets

	Decelerated tax depreciation HK$'000
At 1 January 2015	8,192
Recognised in the consolidated statement of comprehensive income	(243)
Exchange differences	(347)
At 31 December 2015	**7,602**
Recognised in the consolidated statement of comprehensive income	**(1,150)**
Exchange differences	**(433)**
At 31 December 2016	**6,019**

Deferred income tax liabilities of HK$9,329,000 as at 31 December 2016 (31 December 2015: HK$7,565,000) 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$186,585,000 at 31 December 2016 (31 December 2015: HK$151,310,000), and the Group does not intend to remit these unremitted earnings from the relevant subsidiary to the Company in the foreseeable future.

11 INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**87,559**	76,046
Work in progress	**9,941**	13,405
Finished goods	**156,789**	128,635
	254,289	218,086
Less: Provision for obsolete inventories	**(15,993)**	(8,647)
Inventories, net	**238,296**	209,439

The cost of inventories included in cost of sales during the year amounted to approximately HK$900,472,000 (for the year ended 31 December 2015: approximately HK$927,804,000).

The gross amount of inventories carried at net realisable value amounted to approximately HK$15,993,000 as at 31 December 2016. Full provision has been made with regard to this balance.

12 TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**582,444**	506,413
Bills receivables	**2,466**	8,579
	584,910	514,992
Less: provision for impairment of receivables	**(51,529)**	(36,337)
Trade and bills receivables, net	**533,381**	478,655

Ageing analysis of trade and bills receivables by invoice date is as follows:

	2016 HK$'000	2015 HK$'000
1–30 days	**309,669**	276,482
31–60 days	**99,866**	83,437
61–90 days	**50,008**	49,214
91–180 days	**59,525**	49,510
Over 180 days	**65,842**	56,349
	584,910	514,992

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

12 TRADE AND BILLS RECEIVABLES (Continued)

	2016 HK$'000	2015 HK$'000
Denominated in:		
— RMB	**312,479**	277,126
— US$	**207,612**	177,699
— HK$	**46,013**	41,005
— Other currencies	**18,806**	19,162
	584,910	514,992

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

	2016 HK$'000	2015 HK$'000
Trade and bills receivables	**533,381**	478,655

As at 31 December 2016, trade and bills receivables of approximately HK$51,529,000 (31 December 2015: approximately HK$36,337,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales proceeds receivable of HK$51,230,000 from PRC customers which have remained long overdue and management considered the recoverability is remote.

As at 31 December 2016, trade and bills receivables of approximately HK$232,002,000 (31 December 2015: approximately HK$217,753,000) 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:

	2016 HK$'000	2015 HK$'000
Up to 90 days	**175,885**	145,479
91 to 180 days	**29,478**	35,259
Over 180 days	**26,639**	37,015
	232,002	217,753

12 TRADE AND BILLS RECEIVABLES (Continued)

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

	2016 HK$'000	2015 HK$'000
At 1 January	**36,337**	26,096
Add: Provision for impairment of trade and bills receivables	**18,331**	10,828
Less: Write-off of provision for impairment of trade and bills receivables	**—**	(587)
Exchange differences	**(3,139)**	—
At 31 December	**51,529**	36,337

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 was changed on 23 August 2016 from 30 days to 90 days. The ageing analysis of amount is as follows:

	2016 HK$'000	2015 HK$'000
Current	**1,604**	2,444
1–30 days	**604**	1,236
31–60 days	**907**	924
61–90 days	**312**	1,902
Over 90 days	**1,748**	2,121
	5,175	8,627

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Current:		
Deposits	**2,302**	5,147
Prepayments	**12,579**	12,555
Other receivables	**18,551**	29,054
	33,432	46,756
Non-current:		
Long-term prepayments and deposits *(Note)*	**4,272**	6,366
	37,704	53,122

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

	2016 HK$'000	2015 HK$'000
Current:		
Deposits	**2,302**	5,147
Other receivables	**18,551**	29,054
Non-current:		
Long-term deposits	**115**	—
	20,968	34,201
Denominated in:		
— RMB	**7,709**	15,254
— HK$	**11,562**	18,610
— Other currencies	**1,697**	337
	20,968	34,201

Note: Included in long-term prepayments and deposits, an amount of HK$220,000 (31 December 2015: HK$542,000) represents prepayment to iBridge Technology (Shenzhen) Limited, a joint venture of the Group, arising from purchases of information services. Such balances are unsecured in nature, bear no interest and denominated in RMB.

15 RESTRICTED CASH

	2016 HK$'000	2015 HK$'000
Restricted cash	—	35,819

As at 31 December 2015, the restricted cash of RMB30,000,000 (equivalent to approximately HK$35,819,000) was placed as collateral for an irrevocable letter of guarantee that provided financial assurance that the Group would fulfil its obligation with respect to a litigation with a competitor. The judgement was finalised on 13 November 2015 and the restricted cash was released on 25 February 2016 accordingly.

16 SHORT-TERM BANK DEPOSIT

Short-term bank deposit of approximately HK$68,000 (31 December 2015: Nil) represented bank deposit of the Group with original maturity over three months which are placed as guarantee deposit for payment of custom duty for goods stored in a warehouse located in India and the short-term bank deposit is denominated in Indian Rupee.

17 CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash at banks and on hand	**253,601**	263,103
Short term bank deposits (original maturities of less than three months)	**255,015**	32,590
	508,616	295,693
Denominated in:		
— US$	**88,336**	103,291
— RMB	**67,802**	94,972
— HK$	**310,565**	80,144
— Other currencies	**41,913**	17,286
	508,616	295,693

The Group's cash and bank balances as at 31 December 2016 amounted to approximately HK$86,936,000 (31 December 2015: HK$139,370,000) and approximately HK$1,184,000 (including short-term bank deposit of approximately HK$68,000 (Note 16)) (31 December 2015: HK$207,000) are deposited with banks in the PRC and India respectively, where the remittance of funds is subject to foreign exchange control.

18 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 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	—	—	—	—	—	(21,101)	(21,101)
Interim dividends relating to 2015	—	—	—	—	—	(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

18 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 2016	**61,510**	**29,989**	**31,866**	**39,349**	**39,202**	**226,365**	**428,281**
Comprehensive loss							
Profit for the year	—	—	—	—	—	157,443	157,443
Other comprehensive loss							
Currency translation differences	—	—	—	—	(16,153)	—	(16,153)
Realisation of revaluation reserve upon disposal of a subsidiary *(Note (iii))*	—	—	—	(34,116)	—	34,116	—
Total comprehensive income/(loss)	—	—	—	(34,116)	(16,153)	191,559	141,290
Final dividends relating to 2015 *(Note 33)*	—	—	—	—	—	(21,173)	(21,173)
Interim dividends relating to 2016 *(Note 33)*	—	—	—	—	—	(14,200)	(14,200)
Special dividends in 2016 *(Note 33)*	—	—	—	—	—	(144,597)	(144,597)
Exercise of share options	—	—	(8,206)	—	—	8,206	—
Profit appropriation of PRC statutory reserve *(Note (ii))*	—	3,739	—	—	—	(3,739)	—
Balance at 31 December 2016	**61,510**	**33,728**	**23,660**	**5,233**	**23,049**	**242,421**	**389,601**
Representing:							
Reserves							360,616
Proposed final dividend *(Note 33)*							28,985
Balance at 31 December 2016							**389,601**

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.

(iii) During the year ended 31 December 2012, certain land and buildings and leasehold improvements were reclassified from property, plant and equipment to investment properties due to the change in usage. Difference between the fair values and net book amounts of approximately HK$34,116,000 were recognised as revaluation at the date of transfer. As a result of the disposal of these investment properties as part of the disposal of CPL during the year, the relevant revaluation reserve is recycled to retained earnings.

19 SHARE-BASED PAYMENT COMPENSATION

(a) Share Option

As at 31 December 2016, 14,810,000 share options (31 December 2015: 33,808,000 share options) were outstanding and all of them are exercisable. Among the outstanding share options, 10,743,000 (31 December 2015: 20,778,000), 3,146,000 (31 December 2015: 10,817,000) and 921,000 (31 December 2015: 2,213,000) share options will lapse on 23 June 2019, 9 September 2021 and 4 September 2022, respectively.

During the year ended 31 December 2016, 18,404,000 share options (for the year ended 31 December 2015: 6,852,000 share options) were exercised at proceeds of approximately HK$11,410,000. Share options exercised during the year ended 31 December 2016 were issued at a weighted average exercise price of HK$0.62 (2015: HK$0.62) per share. The related weighted average closing price at the time of exercise for the year ended 31 December 2016 was HK$1.17 (2015: HK$0.94) per share.

During the year ended 31 December 2016, 594,000 share options were forfeited (for the year ended 31 December 2015: 200,000 share options).

As all the share options were fully vested, no share-based payment expense was recognised during the year ended 31 December 2016 (for the year ended 31 December 2015: same).

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

	2016		2015	
	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**	**33,808**	0.62	40,860
Granted	—	—	—	—
Forfeited	**0.62**	**(594)**	0.62	(200)
Exercised	**0.62**	**(18,404)**	0.62	(6,852)
Expired	—	—	—	—
Cancelled	—	—	—	—
At 31 December	**0.62**	**14,810**	0.62	33,808

19 SHARE-BASED PAYMENT COMPENSATION (Continued)

(b) Shares award

On 23 September 2016, the Company has adopted the Scheme, to (i) recognise the contributions by employees, directors, consultants or advisers of or to the Group (the "Eligible Persons"); and (ii) offer suitable incentives to attract and retain targeted talent and personnel for the continuance of operations and future development of the Group. Subject to the rules as set under the Scheme, the Board may at its absolute discretion to elect any Eligible Persons to participate in the Scheme (the "Selected Persons") and to award the Company's shares (the "Awarded Shares") to these Selected Persons, subject to vesting conditions, if any. These Awarded Shares will be transferred to the Selected Persons upon their fulfillment of all relevant vesting conditions.

In connection with the implementation of the Scheme, the Group has signed a trust deed with an independent third party to act as the trustee (the "Trustee") to hold certain Shares on behalf of the Group and the Selected Persons before these Awarded Shares are granted and/or vested. The Group may from time to time instruct the Trustee to purchase the Company's share from the market on the Stock Exchange and to hold them in trust for the benefit of the Selected Persons.

During the year, 864,000 shares were purchased on the Stock Exchange at a consideration of HK$1,038,000 by the Trustee on behalf of the Group. No shares were granted to Eligible Persons under the Scheme during the year ended 31 December 2016.

20 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of issued shares	Issued share capital HK$'000
At 1 January 2015	**698,587,697**	**6,986**
Exercise of share options	6,852,000	68
At 31 December 2015	**705,439,697**	**7,054**
Exercise of share options	18,404,000	184
At 31 December 2016	**723,843,697**	**7,238**

21 BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank borrowings, secured		
Non-current	—	19,439
Current		
— with repayment on demand clause	**26,244**	30,006
— without repayment on demand clause	—	6,533
	26,244	55,978

At 31 December 2016, the Group's borrowings are denominated in HK$. The repayment terms of the bank borrowings without taking into account the effect of repayment on demand clause are as follow:

	2016 HK$'000	2015 HK$'000
Within 1 year	**4,083**	10,446
Between 1 and 2 years	**3,977**	10,549
Between 2 and 5 years	**9,854**	24,590
Over 5 years	**8,330**	10,393
	26,244	55,978

The weighted average effective interest rate per annum of the Group's borrowings at 31 December 2016 and 2015 are set out as follows:

	2016	2015
HK$ *(Note)*	**1.97%**	1.49%

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 for the year ended 31 December 2015. During the year, the mortgage loan was settled when the Group disposed of an indirect wholly-owned subsidiary, CPL, which held these investment properties (Note 34(c)).

In September and October 2015, the Group obtained two HK$ denominated mortgage loans 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 loans and certain banking facilities and included in property, plant and equipment in the consolidated financial statements of the Group, with net carrying value of approximately HK$54,733,000 as at 31 December 2016 (31 December 2015: HK$57,027,000).

In October 2015, the Group obtained a HK$ denominated HIBOR loan which bore interest at 1.7% per annum over one month HIBOR for its working capital. The banking facilities were secured by property, plant and equipment in the consolidated financial statements of the Group, with net carrying value of approximately HK$4,076,000 as at 31 December 2016 (31 December 2015: HK$4,312,000).

21 BORROWINGS (Continued)

Other than the above mentioned, the Group also entered into banking facilities which were secured by land use rights and property, plant and equipment in the consolidated financial statements of the Group, with net carrying values of approximately HK$1,744,000 (31 December 2015: HK$1,921,000) and HK$12,240,000 (31 December 2015: HK$15,158,000) respectively as at 31 December 2016.

Interest expenses on borrowings for the year ended 31 December 2016 was approximately HK$905,000 (for the year ended 31 December 2015: HK$507,000).

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:

	2016 **HK$'000**	2015 HK$'000
Floating rate		
— Expiring within one year	**235,760**	242,116

22 TRADE PAYABLES

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

	2016 **HK$'000**	2015 HK$'000
1–30 days	**196,712**	177,997
31–60 days	**2,258**	26,700
61–90 days	**1,284**	31,904
Over 90 days	**8,641**	3,939
	208,895	240,540
Denominated in:		
— RMB	**156,796**	187,130
— HK$	**11,499**	16,604
— US$	**38,056**	35,886
— Other currencies	**2,544**	920
	208,895	240,540

23 ACCRUALS AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Advance from customers	**18,333**	23,378
Other payables	**127,571**	160,173
Accruals	**117,523**	104,896
	263,427	288,447

The carrying values of these balances approximate their fair values.

24 LOANS FROM NON-CONTROLLING INTERESTS

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

The balances are denominated in HK$.

25 EXPENSES BY NATURE

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

	2016 HK$'000	2015 HK$'000
Changes in inventories *(Note 11)*	**900,472**	927,804
Auditor's remuneration		
— Audit services	**2,600**	2,900
— Non-audit services	**661**	161
Amortisation of land use rights *(Note 6)*	**1,068**	711
Depreciation of property, plant and equipment *(Note 7)*	**36,159**	35,361
Amortisation of intangible assets *(Note 9(b))*	**1,316**	3,106
Operating lease rental in respect of buildings	**17,282**	20,191
Provision for obsolete inventories	**10,943**	2,663
Direct written off for obsolete inventories	**5,800**	5,614
Provision for impairment of trade and bills receivables *(Note 12)*	**18,331**	10,828
Provision for impairment of property, plant and equipment *(Note 7)*	**—**	4,214
Employee benefit expenses *(Note 27)*	**346,582**	364,096
Transportation expenses	**63,089**	60,666
Exchange loss, net	**12,164**	4,981
Advertising costs	**12,990**	13,402
Loss/(gain) on disposal of property, plant and equipment *(Note 34(b))*	**247**	(274)
Direct operating expenses arising from investment properties that generate rental income *(Note 8)*	**31**	114
Utilities expenses	**22,365**	24,985

26 OTHER INCOME

	2016 HK$'000	2015 HK$'000
Rental income *(Note 8)*	**6,848**	6,934
Income from sales of scrap materials	**1,301**	1,607
Gain on disposal and dissolution of subsidiaries	**11**	4
Others	**4,017**	2,038
	12,177	10,583

27 EMPLOYEE BENEFIT EXPENSES

	2016 HK$'000	2015 HK$'000
Salaries, wages and bonuses	**320,229**	317,685
Pension costs — defined contribution plans	**1,428**	1,172
Welfare and other expenses	**24,925**	45,239
	346,582	364,096

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include five directors (for the year ended 31 December 2015: five) whose emoluments are reflected in the analysis shown in Note 38.

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 for the year ended 31 December 2016 (for the year ended 31 December 2015: Nil).

28 FINANCE INCOME AND FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Finance costs on bank borrowings	**(905)**	(507)
Finance income	**750**	832
Finance income, net	**(155)**	325

29 SUBSIDIARIES

As at 31 December 2016, 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 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%	—
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%
Telefield (Hotel Supplies) Private Limited	India, limited liability company	Manufacturing and sales of amenity products and accessories; India	Indian Rupee ₹38,300,530	—	51%	49%

30 INCOME TAX EXPENSES

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

	2016 HK$'000	2015 HK$'000
Current income tax:		
— Hong Kong profits tax	**16,753**	21,579
— PRC enterprise income tax	**24,388**	6,982
— Singapore income tax	**839**	653
Adjustments in respect of prior year	**(1,499)**	—
	40,481	29,214
Deferred income tax *(Note 10)*	**1,874**	(2,375)
	42,355	26,839

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% (2015: 16.5%), 25% (2015: 25%) and 17% (2015: 17%) on the estimated assessable profits for the year ended 31 December 2016, respectively.

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:

	2016 HK$'000	2015 HK$'000
Profit/(loss) before income tax	**191,439**	(199,299)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**33,906**	(42,423)
Income not subject to tax	**(14,839)**	(27,577)
Expenses not deductible for tax purposes	**16,277**	90,937
Utilisation of prior year tax losses	**(160)**	(260)
Adjustments in respect of prior year	**(1,499)**	—
Tax losses for which no deferred income tax asset was recognised	**8,670**	6,162
Tax charge	**42,355**	26,839

The weighted average applicable tax rate was 18% per annum for the year ended 31 December 2016. The change is caused by a change in the profitability of the Group's subsidiaries in respective countries.

30 INCOME TAX EXPENSES (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$185,255,000 (31 December 2015: HK$137,988,000) as at 31 December 2016 to offset against future taxable income. These tax losses expire in the following years:

	2016 HK$'000	2015 HK$'000
In the first to fifth years inclusive	**136,635**	100,434
No expiry date	**48,620**	37,554
	185,255	137,988

31 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2016	2015
Profit/(loss) attributable to owners of the Company (HK$'000)	**157,443**	(221,864)
Weighted average number of ordinary shares in issue (thousands)	**708,509**	702,836
Basic earnings/(loss) per share attributable to owners of the Company (HK cents)	**22.2**	(31.6)

(b) Diluted

Diluted earnings/(loss) 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.

31 EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted (Continued)

Diluted earnings per share attributable to owners of the Company for the year ended 31 December 2016 is as below:

	2016
Earnings	
Profit attributable to owners of the Company (HK$'000)	**157,443**
Weighted average number of ordinary shares in issue (thousands)	**708,509**
Adjustment for:	
— Share options (thousands)	**10,576**
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**719,085**
Diluted earnings per share attributable to owners of the Company (HK cents)	**21.9**

32 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 Group received the judgment (the "Final Judgment") made by the Supreme People's Court of the PRC (中華人民共和國最高人民法院) (the "Court") 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.

32 REVERSAL OF NET PROVISION FOR LEGAL COMPENSATION (Continued)

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.

33 DIVIDENDS

On 26 May 2016, a final dividend of HK3.0 cents per share for the year ended 31 December 2015 was approved by the Company's shareholders. Total dividend of approximately HK$21,173,000 was paid out.

On 7 October 2016, the Board resolved to pay an interim dividend of HK2.0 cents per share for the six months ended 30 June 2016. Total dividend of approximately HK$14,200,000 was paid out.

On 16 December 2016, a special dividend of HK20.0 cents per share was approved by the Board. As at 31 December 2016, this special dividend payable was reflected in the consolidated financial statements. Total dividend of approximately HK$144,597,000 was paid out subsequently on 20 January 2017.

The final dividend in respect of the year ended 31 December 2016 of HK4.0 cents per share, amounting to a total dividend of approximately HK$28,985,000 was resolved by the Board to propose on 30 March 2017, which is subject to approval at the annual general meeting to be held on 25 May 2017. 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 2016.

	2016 **HK$'000**	2015 HK$'000
Interim dividend of HK2.0 cents (2015: HK2.0 cents) per ordinary share	**14,200**	14,100
Special dividend of HK20.0 cents (2015: Nil) per ordinary share	**144,597**	—
Final dividend proposed of HK4.0 cents (2015: HK3.0 cents) per ordinary share	**28,985**	21,173
	187,782	35,273

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2016 HK$'000	2015 HK$'000
Profit/(loss) before income tax	**191,439**	(199,299)
Adjustments for:		
— Amortisation of land use rights *(Note 6)*	**1,068**	711
— Depreciation of property, plant and equipment *(Note 7)*	**36,159**	35,361
— Amortisation of intangible assets *(Note 9(b))*	**1,316**	3,106
— Loss/(gain) on disposal of property, plant and equipment *(Note 34(b))*	**247**	(274)
— Impairment of property, plant and equipment *(Note 7)*	**—**	4,214
— Impairment of intangible asset *(Notes 9(b) and 32)*	**—**	7,764
— Finance income *(Note 28)*	**(750)**	(832)
— Finance costs *(Note 28)*	**905**	507
— Provision for obsolete inventories	**10,943**	2,663
— Direct written off for obsolete inventories	**5,800**	5,614
— Provision for impairment of trade and bills receivables *(Note 12)*	**18,331**	10,828
— Direct write-off of provision of trade and bill receivables	**257**	60
— Amortisation of incentive	**2,381**	8,059
— Share of profit of an associated company	**(1,476)**	(149)
— Share of (profit)/losses of joint ventures	**(11)**	436
— Fair value gains on investment properties *(Note 8)*	**(66,996)**	—
— Gain on disposal and dissolution of subsidiaries *(Note 26)*	**(11)**	(4)
— Provision for impairment of other receivables	**1,002**	—
— Provision for impairment of goodwill *(Note 9(a))*	**—**	331,545
— Reversal of net provision for legal compensation *(Note 32)*	**—**	(34,905)
Changes in working capital:-		
— Inventories	**(54,894)**	(4,688)
— Trade and bills receivables	**(85,065)**	(54,681)
— Deposits, prepayments and other receivables	**10,791**	5,447
— Trade payables	**(18,956)**	(2,954)
— Accruals and other payables	**(10,771)**	29,188
— Amount due from an associated company	**3,452**	(4,341)
— Amounts due from/(to) joint ventures	**(33)**	9
Cash generated from operations	**45,128**	143,385

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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

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

	2016 HK$'000	2015 HK$'000
Net book amount:		
— Property, plant and equipment *(Note 7)*	**5,042**	263
(Loss)/gain on disposal of property, plant and equipment *(Note 25)*	**(247)**	274
Proceeds from disposal of property, plant and equipment	**4,795**	537

(c) Net cash inflow arising from disposal of a subsidiary

On 29 August 2016, the Group has signed a sales and purchase agreement (the "Agreement") with Target Insurance Company, Limited (the "Purchaser"), to dispose of the entire share capital of CPL and related shareholder's loan at a consideration of HK$263,000,000. HK$20,004,000 of the consideration was used to settle the outstanding borrowing of CPL on the date of completion. Net assets of CPL being disposed of amounted to approximately HK$259,500,000. As a result of the disposal, a gain of HK$11,000 was recognised by the Group.

	2016 HK$'000
Cash consideration received	**263,000**
Net assets disposed of:	
— Investment properties	**260,000**
— Other receivables	**229**
— Deferred tax liabilities	**(729)**
	3,500
Transaction costs incurred	**(3,489)**
Gain on disposal	**11**
Net cash inflow arising from disposal of a subsidiary	
— Cash and cash equivalent received	**263,000**
— Transaction costs paid	**(3,489)**
	259,511

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(d) Analysis of changes in financing during the year

Bank borrowings

	2016 HK$'000	2015 HK$'000
Beginning of the year	**55,978**	32,444
Proceeds from borrowings	**60,000**	30,800
Repayments of borrowings	**(89,734)**	(7,266)
End of the year	**26,244**	55,978

Loans from non-controlling interests

	2016 HK$'000	2015 HK$'000
Beginning of the year	**12,587**	10,526
Proceeds from loans	**1,005**	2,061
End of the year	**13,592**	12,587

35 COMMITMENTS

(a) Capital commitments

As at 31 December 2016, the capital commitments of the Group were approximately HK$4,317,000 (31 December 2015: HK$5,705,000).

	2016 HK$'000	2015 HK$'000
Contracted but not provided for in the consolidated financial statements	**4,317**	5,705

(b) Operating lease commitments

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

	2016 HK$'000	2015 HK$'000
No later than one year	**10,000**	15,714
Later than one year and no later than five years	**10,659**	11,788
Later than five years	**—**	4,680
	20,659	32,182

36 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 Group
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 Group

36 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

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

	2016 HK$'000	2015 HK$'000
(i) Sales of goods		
— to Quality Amenities Supply (M) Sdn. Bhd.	**11,429**	11,666
(ii) Rental charged		
— by Ming Fai Plastic Industrial Company	**851**	899
— by Mr. LIU Zigang	**64**	163
(iii) Purchase of services rendered from		
— Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd.	**31**	2,190
— Information technology service charges from iBridge Technology	**304**	343

Sales of goods are transacted at prices mutually agreed between the parties.

Purchases of services are transacted at prices mutually agreed between the parties.

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.

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	2016 HK$'000	2015 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**9,808**	8,573
Contributions to pension plans	**115**	119
	9,923	8,692

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

	2016 HK$'000	2015 HK$'000
Prepayment to iBridge Technology *(Note)*	**220**	542
Amounts due from		
— Quality Amenities Supply (M) Sdn. Bhd. *(Note 13)*	**5,175**	8,627
— iBridge Technology *(Note)*	**54**	35

Note: The balance represents prepayment to iBridge Technology of HK$220,000 (31 December 2015: HK$542,000) arising from purchases of information services and amount due from it of HK$54,000 (31 December 2015: HK$35,000). These balances are unsecured in nature, bear no interest and denominated in RMB.

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company as at 31 December 2016

	Note	2016 HK$'000	2015 HK$'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 a joint venture		**10**	10
Amounts due from subsidiaries		**772,913**	627,294
Tax recoverable		**—**	2
Deposits, prepayments and other receivables		**242**	260
Cash and cash equivalents		**34,653**	26,117
Total current assets		**807,818**	653,683
Total assets		**1,043,491**	889,356
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**7,238**	7,054
Shares held under the Scheme		**(1,038)**	—
Share premium		**606,905**	595,679
Other reserves	*A*	**275,642**	285,939
Total equity		**888,747**	888,672
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**9,139**	46
Amount due to a joint venture		**—**	14
Tax payable		**121**	—
Accruals and other payables		**809**	580
Dividends payable		**144,675**	44
Total current liabilities		**154,744**	684
Total liabilities		**154,744**	684
Total equity and liabilities		**1,043,491**	889,356

The balance sheet of the Company was approved by the Board of Directors on 30 March 2017 and was signed on its behalf.

CHING Chi Fai
Director

CHING Tsun Wah
Director

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

Note A: Reserve movement of the Company for the year ended 31 December 2016

	Merger reserve (*Note*) HK$'000	Share-based compensation reserves HK$'000	Retained earnings HK$'000	Total HK$'000
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	—	—	(21,101)	(21,101)
Interim dividends relating to 2015	—	—	(14,100)	(14,100)
Exercise of share options	—	(320)	320	—
Balance at 31 December 2015	224,147	35,424	26,368	285,939
Balance at 1 January 2016	**224,147**	**35,424**	**26,368**	**285,939**
Comprehensive income				
Profit for the year	**—**	**—**	**169,673**	**169,673**
Total comprehensive income	**—**	**—**	**169,673**	**169,673**
Final dividends relating to 2015 (*Note 33*)	**—**	**—**	**(21,173)**	**(21,173)**
Interim dividends relating to 2016 (*Note 33*)	**—**	**—**	**(14,200)**	**(14,200)**
Special dividend in 2016 (*Note 33*)	**—**	**—**	**(144,597)**	**(144,597)**
Exercise of share options	**—**	**(1,696)**	**1,696**	**—**
Balance at 31 December 2016	**224,147**	**33,728**	**17,767**	**275,642**
Representing:				
Reserve				**246,657**
Final dividend proposed (*Note 33*)				**28,985**
Balance at 31 December 2016				**275,642**

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.

38 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:

	2016 HK$'000	2015 HK$'000
Fees	**1,322**	1,543
Basic salaries, housing allowances, other allowances and benefits-in-kind	**9,689**	8,800
Contributions to pension plans	**115**	131
	11,126	10,474

The emoluments of each Director and chief executive of the Company for the year ended 31 December 2016 are as follows:

Name of Directors	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Share-based payment expense HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors *(Note (i))*						
Mr. CHING Chi Fai	120	1,204	1,161	—	18	2,503
Mr. CHING Chi Keung	120	726	681	—	18	1,545
Mr. LIU Zigang	120	885	805	—	43	1,853
Mr. CHING Tsun Wah	120	726	674	—	18	1,538
Mr. KEUNG Kwok Hung	120	1,304	1,042	—	18	2,484
Independent non-executive Directors						
Mr. HUNG Kam Hung Allan	150	—	—	—	—	150
Mr. MA Chun Fung Horace	150	—	—	—	—	150
Mr. NG Bo Kwong	150	—	—	—	—	150
Mr. SUN Yung Tson Eric *(Note (ii))*	114	—	—	—	—	114
Mr. SUN Kai Lit Cliff *(Note (iii))*	38	—	—	—	—	38
Non-executive Director						
Ms. CHAN Yim Ching *(Note (iv))*	120	330	150	—	—	600
Total	1,322	5,175	4,513	—	115	11,125

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

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$'000	Share-based payment expense HK$'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. NG Bo Kwong	150	—	—	—	—	150
Mr. SUN Kai Lit Cliff *(Note (iii))*	150	—	—	—	—	150
Non-executive Directors						
Ms. CHAN Yim Ching *(Note (iv))*	120	523	304	—	12	959
Mr. LEE King Hay *(Note (v))*	223	—	—	—	—	223
Total	1,543	4,648	4,152	—	131	10,474

Notes:

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

(ii) Mr. SUN Yung Tson Eric was appointed as an independent non-executive Director on 29 March 2016.

(iii) Mr. SUN Kai Lit Cliff retired as an independent non-executive Director on 29 March 2016.

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

(v) Mr. LEE King Hay retired as a non-executive Director on 21 May 2015.