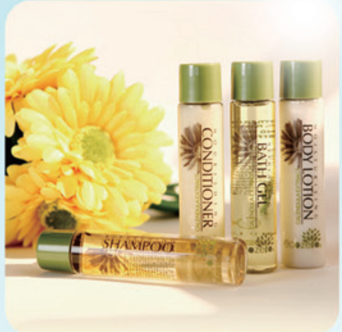
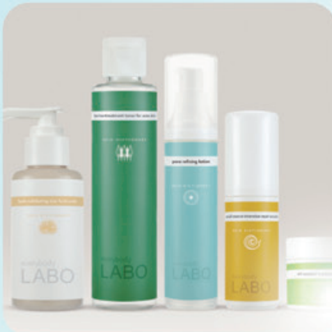
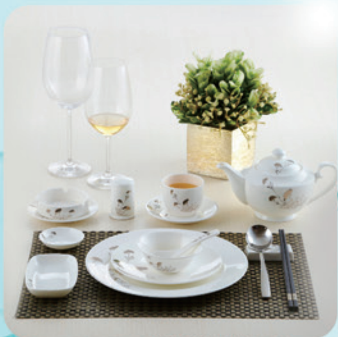


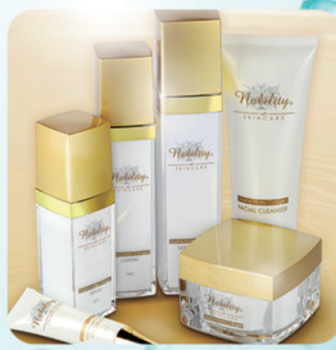


明輝國際控股有限公司*

Ming Fai International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3828)





Annual Report 2013

* For identification purpose only

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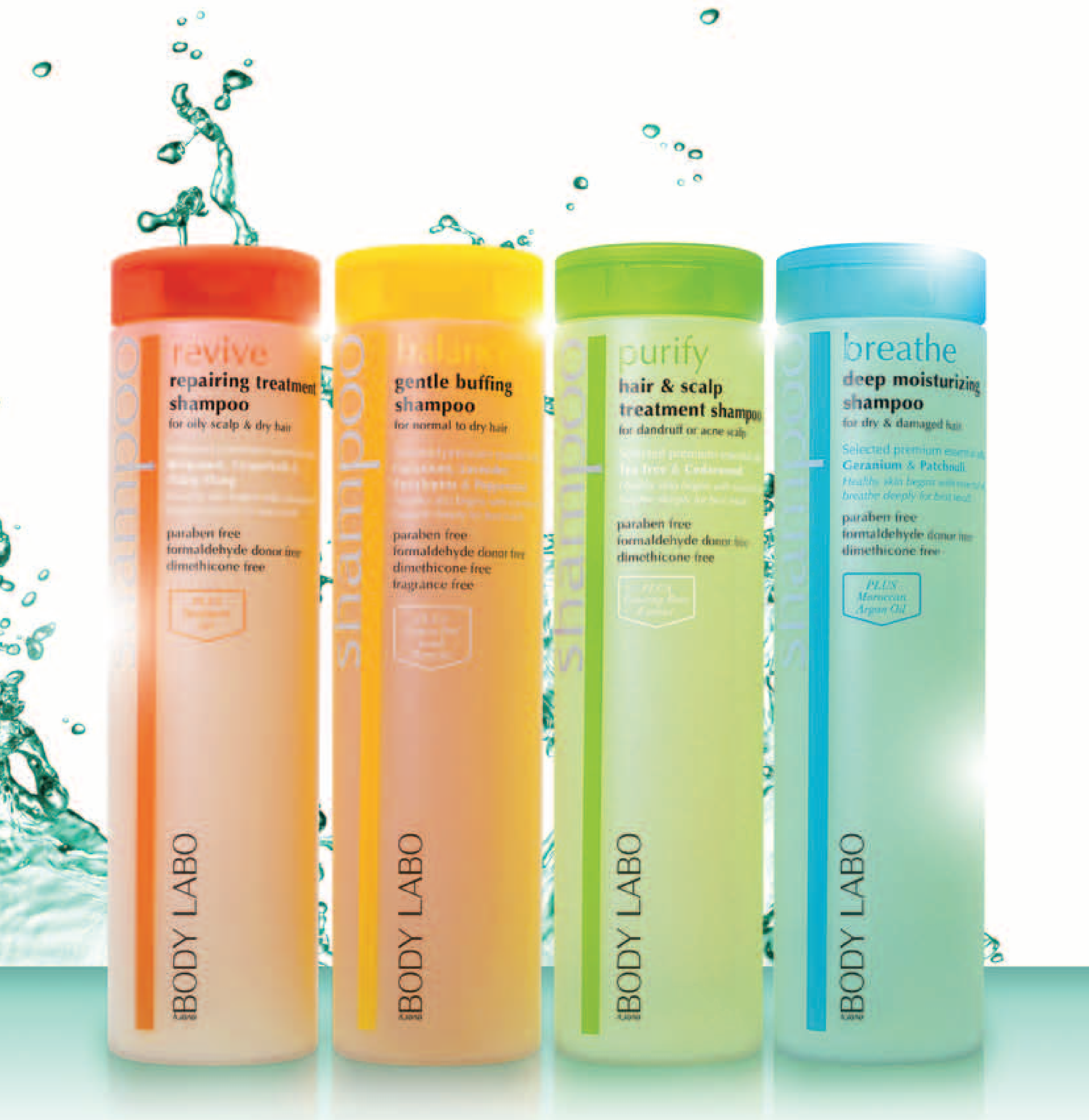
Corporate Information



BOARD OF DIRECTORS

Executive Directors:

CHING Chi Fai *(Chairman)*
CHING Chi Keung
LIU Zigang
LEE King Hay
CHAN Yim Ching

Independent non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

EXECUTIVE COMMITTEE

CHING Chi Fai *(Chairman)*
CHING Chi Keung
LIU Zigang
LEE King Hay
CHAN Yim Ching

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

KEUNG Kwok Hung *CPA*

PRINCIPAL BANKERS

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

AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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

Bainikeng, Pinghu, Longgang
Shenzhen, the PRC

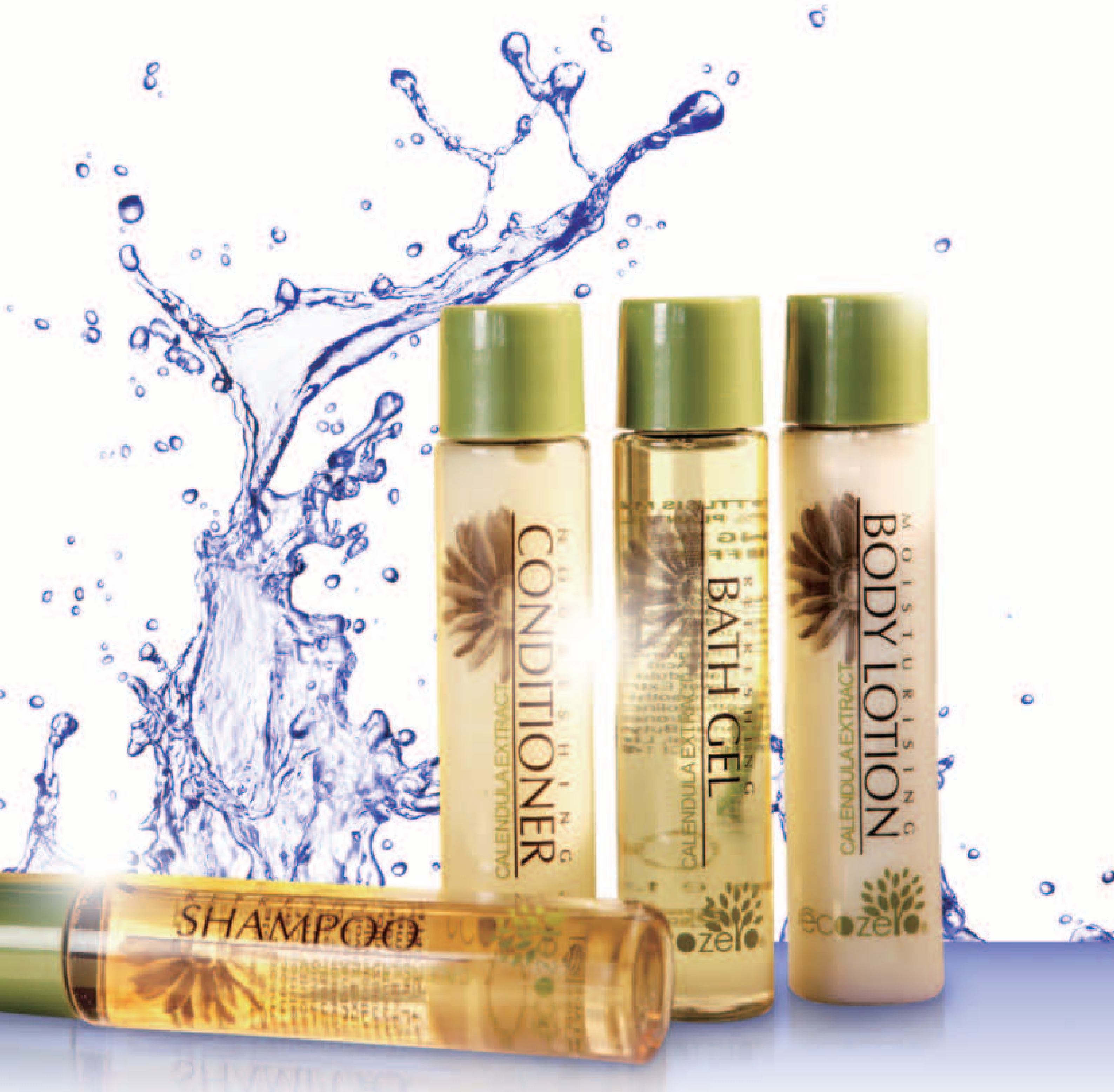
WEBSITE

www.mingfaigroup.com

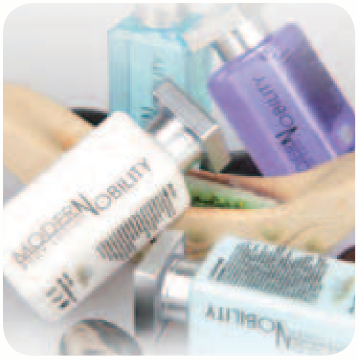
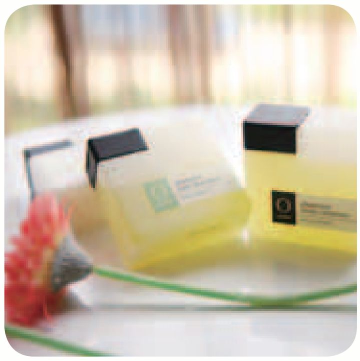
STOCK CODE

3828

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 2013.

The global economy experienced another year featuring a pessimistic scenario in 2013. Statistics provided by the International Monetary Fund showed that economic growth in developed countries was in low gear, affected by the lingering impact of the financial crisis. Meanwhile, emerging economies were facing dual financial challenges of notable domestic slow-downs and tighter global conditions. China, one of the world's few engines of growth, was moving ahead at a subdued pace with the lowest gross domestic product ("GDP") in over a decade.

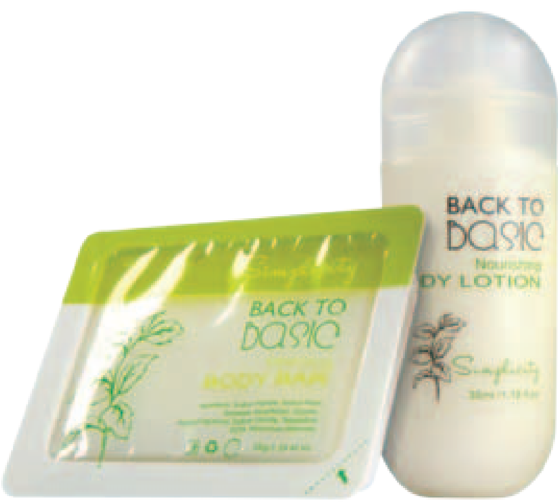
The year under review witnessed the Group's ongoing restructuring efforts aimed at optimizing its business portfolio amidst a weak operating environment. Our stable performance was mainly attributable to the resilience of our core business – manufacturing and distributing hotel amenity products – which recorded organic growth in all operational markets. However, the Group's overall profitability was partly undermined by the deteriorating performance of the Group's laundry business and China retail business and "everyBody Labo" brands. For the year ended 31 December 2013, the Group's total consolidated revenue remained flat at approximately HK$1,684.0 million (2012: HK$1,685.7 million), while its profit attributable to equity shareholders decreased by 46.9% to HK$40.0 million from HK$75.3 million a year earlier. Notwithstanding, the Group strengthened cost constraints to prepare itself a solid financial position despite facing hikes in material and labor costs which subsequently led to increasing operating expenses. As a result, the Group managed to achieve a 10.5% increase in its gross profit in the year of 2013.

Given the Group's commitment to returning value to the shareholders of the Company (the "Shareholders"), the Board has resolved to propose a final dividend of HK2.0 cents per share for the year ended 31 December 2013. A sum of the interim and year-end dividends is expected to be HK3.5 cents per share (2012: HK3.5 cents per share).

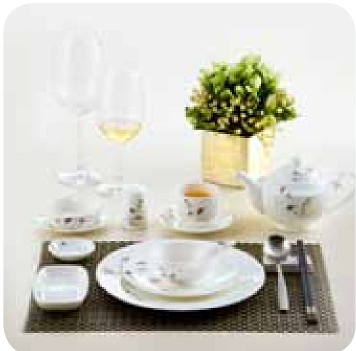
During the year under review, the Group maintained a twin-engine model to propel its business development. The manufacturing and distribution of hotel amenity products still served as the major pillar of our business. Despite storm clouds gathered above the global economic scenario, international tourists record a high number of increase, mainly supported by the robust demand in Asia Pacific region. The encouraging outcome spurred hotel accommodation and hotel amenities demand accordingly. Therefore, the Greater China Region (including the PRC and Hong Kong) remained the biggest revenue contributor for our hotel amenities business. Foreseeing the potential for dynamic growth in this sector, we are devoting unwavering efforts to restructure partnership's cooperation mode as well as diversify our product offerings and expand distribution networks for our hotel amenities business. We believe these strategies will allow us to improve cost efficiency throughout the manufacturing and distribution processes.

In order to optimize business portfolio and improve financial performance, the Group decided to cease the laundry operations before 30 June 2014 which had encountered huge difficulties amidst an immature market.

The retail market has been confronted with unprecedented changes over the past few years. The Group's franchise operations in the PRC were inevitably affected by the intensifying competition between physical stores and online retailers. Moreover, we were impacted along with other retailers from restrained consumer spending, resulting from the faltering GDP growth for the year under review. Considering all these, the Group attempted to balance outlet expansion. Therefore, the franchise store number was stabilized at 1,347 as at 31 December 2013 (31 December 2012: 1,362).



In the year of 2013, the Group was involved in a lawsuit over alleged trademark infringements in the PRC. However, the Group has decided to file an appeal with the Supreme People's Court of the PRC, and we are confident with our facts and information.



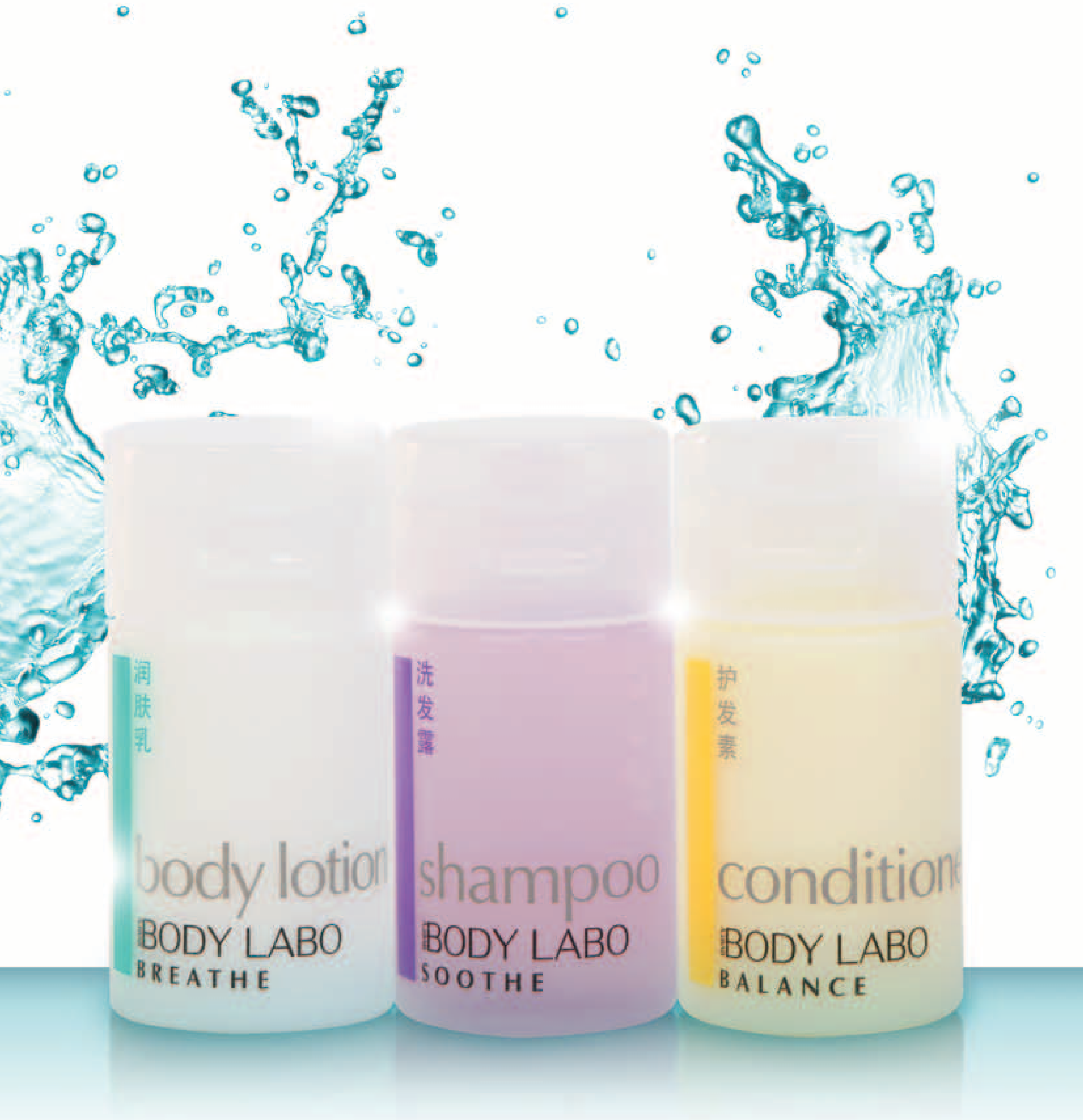
The Group has given no ground in strengthening the presence of our own-label body care products brand "everyBody Labo". In August, 2013, we opened a new sales counter for "everyBody Labo" in V City which is a shopping mall atop Hong Kong's Tuen Mun West rail station and is only ten minutes away from Shenzhen Bay Port, the PRC, with a view to expanding the brand's footprint in Hong Kong's health and beauty market and to raise brand awareness among mainland tourists.

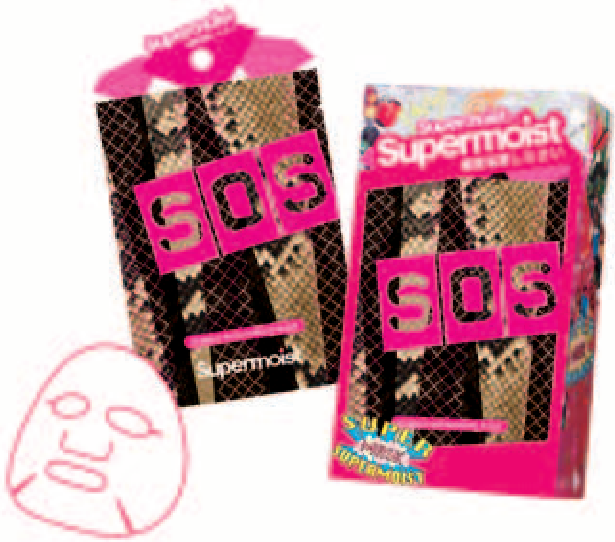
Looking ahead, economic recovery is expected to regain momentum in 2014, largely due to improved performance in advanced economies. Developing economies, struggling against domestic woes, are likely to benefit from stronger external demand in the year to come. China, the market to which we attach great importance, is undergoing a structural reform to shift from a labor-intensive economic mode to a higher value-added one. Cautiously optimistic about the Group's future performance, we are determined to exploit business opportunities arising from the competitive landscape while managing vulnerabilities associated with ever-changing market conditions via stricter cost controls.

On behalf of the Board, I would like to express my sincere gratitude to our Shareholders, business partners and customers for their continuous support. I would also like to thank our management and employees for their dedication and contribution over the years.

CHING Chi Fai
Chairman
HONG KONG, 27 March 2014

Management Discussion and Analysis





FINANCIAL REVIEW

The Group reported a marginal decline of 0.1% in the Group's total consolidated revenue for the year ended 31 December 2013 to approximately HK$1,684.0 million as compared to HK$1,685.7 million last year. The Group's core business – manufacturing and distribution of amenity products – remained the major growth driver as it contributed HK$1,532.7 million, namely 91.0% of the Group's revenue. The other business pillar, the distribution and retail business of cosmetics and fashion accessories, accounted for HK$135.1 million, or 8.0% of the total revenue.

Profit attributable to equity holders of the Company registered a year-on-year decrease of 46.9% to HK$40.0 million from HK$75.3 million in the previous financial year.

Basic earnings per share attributable to equity holders of the Company for the year ended 31 December 2013 was HK5.7 cents (2012: HK11.4 cents).

The overall gross profit margin improved from 21.6% year-ago to 23.9% for the year under review, attributable to the Group's effective cost management amid the escalating manufacturing costs.

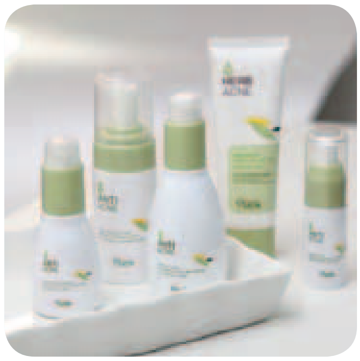
The Board has resolved to propose a final dividend of HK2.0 cents per share for the year ended 31 December 2013. A sum of the interim and year-end dividends is expected to be HK3.5 cents per share (2012: HK3.5 cents per share). The proposed dividend is subject to approval at the forthcoming annual general meeting (the "AGM") on 22 May 2014.

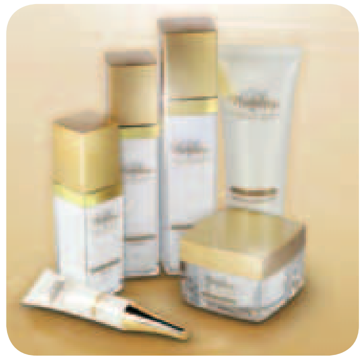
Set out below are the consolidated financial highlights of the Group for the year ended 31 December 2013:

	2013 HK$ million	2012 HK$ million	% Change
Revenue	**1,684.0**	1,685.7	(0.1%)
Gross profit	**402.5**	364.2	10.5%
Profit attributable to equity holders of the Company	**40.0**	75.3	(46.9%)
Net asset value	**1,272.9**	1,243.4	2.4%
Basic earnings per share attributable to equity holders of the Company (HK cents)	**5.7**	11.4	(50.0%)
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**5.6**	11.4	(50.9%)

BUSINESS REVIEW

The global economic recovery remained weak during the year ended 31 December 2013, as it was being hindered by a number of factors, including the slowdown of the economies of major emerging markets. China's GDP in 2013 registered a flat growth of 7.7% as a result of downturn in domestic demand and pile-up of local debts. Although Eurostat showed the Euro zone's economy grew by 0.4% in 2013, there were still concerns that the Euro area would be stuck in a prolonged recession, given the uncertain market conditions. Risks of economic fluctuations in the US still exist, despite signs of turning the corner.





The Group has made persistent efforts to expand the operations in hotel amenity business, this segment continues to play a major role in supporting the Group's income. However, the other hotel-related business, laundry services, had taken its toll against the Group's total profit with a sluggish performance. The Group's retail business segment also suffered a loss in 2013. The Group's total consolidated revenue registered a 0.1% decrease to approximately HK$1,684.0 million as compared to HK$1,685.7 million in the previous financial year. Profit attributable to equity holders of the Company decreased by 46.9% to HK$40.0 million from HK$75.3 million year ago.

Hotel related businesses

Manufacturing and distribution business of hotel amenities

Despite the volatility in the global economy, the results of the international tourism were well above expectations in 2013. According to the latest the UN World Tourism Organization ("UNWTO") World Tourism Barometer, international tourist arrivals reached a record 1,087 million, representing an increase of 5% or an additional 52 million international tourists travelling around the world. Asia Pacific was the area most resilient to the lingering market challenges, where the number of international tourists grew by 6% or 14 million to reach 248 million. The booming tourism boosted demand for hotel accommodation and the consumption of hotel amenities. Riding on the opportunity, the Group prioritized its operations in the manufacturing and distribution business of hotel amenities and hence achieved satisfactory financial results in this segment for this financial year.

For the year under review, the Group's hotel amenities business reported HK$1,532.7 million in revenue. The Greater China (including the PRC and Hong Kong) remained as the major market which accounted for 41.5% of the revenue generated from this hotel amenities segment, followed by North America as the second largest region, which contributed 29.5% of revenue. Europe, other Asia Pacific countries (excluding Australia) and Australia maintained their share and account for 12.7%, 13.3% and 2.4%, respectively. Additionally, the Group managed to improve cost efficiency by streamlining the manufacturing processes and enhancing inventory management and distribution strategy. Therefore, the Group recorded a gross profit of HK$402.5 million for the year under review, up 10.5% on a comparable basis.

Due to changes in the macro and market conditions, the Group and American Hotel, with mutual consent, terminated their Strategic Cooperation Agreement with effect from 27 December 2013. The Group considers that the termination of the Strategic Cooperation Agreement has no material adverse impact on the financial and operational position of the Group. The Group will be more flexible in implementing business strategies going forward. Still, the Group will continue with due diligence to examine on potential expansion opportunities.

Laundry services

The laundry business of the Group, launched in March 2011, serves as part of our commitment to providing total solution services for our hotel clients. Nevertheless, as star-grade hotels are implementing various cost saving strategy amidst the uncertain market conditions, the Group found it challenging to establish solid business relationships with target customers. In the meantime, the Group was suffering from increasing operating costs, in terms of higher utility expenses resulted from the government's intention to develop an eco-friendly economy and rising labor cost. A loss of HK$20.7 million was therefore recognized in the year under review.

Taking the initiative to improve the operational structure in March 2014, the Group decided to cease laundry services before 30 June 2014 which have been contributing negatively to its overall financial performance.

Retail Business Development

China retail market

As China is in the course of economic rebalancing, domestic consumption seems to slow down along the way. Retail sales growth, adversely affected by the current scenario, has seen some signs of deceleration over recent years. Retailers are searching for ways to better adapt to the ever-changing landscape. On the other hand, along with rising Internet penetration, China's online shopping market is swelling at an impressive pace throughout 2013, surpassing total social retail sales. The tremendous opportunity for online retail business, however, turns out to strike on physical stores which are disadvantaged with regards to operating expenses and delivery flexibility.

The Group's China retail business mainly targets young females for selling beauty products including cosmetics and accessories. Sales are inevitably vulnerable to the target customers' purchasing power and price sensitivity. Thus the Group has found itself in a dilemma to lift selling prices to ease pressure from spiraling operating costs. For the year ended 31 December 2013, the Group recorded a revenue of HK$131.2 million (2012: HK$193.3 million) from the retail business it is engaged in, representing 7.8% of the total consolidated revenue. Continuing on the consolidation process, the Group replaced aggressive store expansion with refined store management.

Therefore, the Group succeeded in achieving an improved gross profit margin of 34.9%, up from 33.6% last year. However, the segment loss before income tax was HK$29.2 million, excluding a provision of the possible PRC lawsuit compensation of Renminbi ("RMB") 31.0 million (equivalent to approximately HK$39.1 million), net off by claim receivables under indemnity of RMB10.0 million (equivalent to approximately of HK$12.8 million). The number of our retail chain's outlets remained stable at 1,347 as at 31 December 2013 (31 December 2012: 1,362).

Retail Brand – everyBody Labo

During the year under review, the Group devoted persistent efforts to gain a greater presence in the health and beauty market for its first own-label body care products brand "everyBody Labo". Leveraging on our business connections with Mannings, Harvey Nichols Hong Kong and Citysuper outlets, "everyBody Labo" has built up a strong distribution network in Hong Kong. Furthermore, the brand has expanded its footprint to V City, where a new sales counter was opened in August 2013. V City is shopping mall atop Hong Kong's Tuen Mun west rail station, which is only ten minutes away from Shenzhen Bay Port, the PRC. The Group selected the location with a view to increasing the brand awareness of "everyBody Labo" among Chinese tourists, marking another crucial step towards exploring the PRC market.

However, as a relatively new brand, it takes time to be fully recognized by consumers, let alone to overshine other competitors in Hong Kong's health and beauty market which is dominated by international brands. Therefore, the segment recorded a drop of 38.1% in revenue to HK$3.9 million for the year ended 31 December 2013 (2012: HK$6.3 million).

PROSPECTS

The global economy remained weak during the year. However, there are some signs of improvements showing up recently, as indicated in World Economic Situation and Prospect 2013. GDP for the Euro area has finally returned to the upward trend. A few large emerging economies, including China, is well-poised to propel economic activities upon structural reforms. The world's GDP is forecasted to grow at a pace of 3.0% and 3.3% for 2014 and 2015, respectively. Studies also show that the US economy is expected to regain its growth next year with better employment situation and increase in disposable incomes. The Group is well-positioned to improve its operating performance, fueled by economic dynamics in the year to come.

The UNWTO forecasts international arrivals to continue the growth trend by 4% to 4.5% in 2014, a figure above UNWTO's long-term forecast of 3.8% increase per year between 2010 and 2020. As another positive year for hotel-related business is expected, the Group is confident in further promoting its amenity business, backed up by a full range of product and service offerings, including personal healthcare items, in-room accessories, airline amenity kits and linens. With more efforts devoted to broadening sourcing channels and upgrading business bonds, the Group is determined to maximize cost efficiency throughout the segment's supply chain as well as its distribution network.

The Group is seeking for meaningful breakthroughs for both China retail business and "everyBody Labo" brands in 2014. Due to a litigation involved, it is first judged that the Group will pay RMB30.0 million (equivalent to approximately HK$38.4 million) to settle the lawsuit over the infringement of trademarks. However, the Group has determined to file the appeal to the Supreme People's Court of the PRC, and is confident to protect its interests with all necessary actions.

Looking ahead, the Group will remain focused on its core business where it has demonstrated solid track records and established competitive advantages. It will also try the best to settle the lawsuit as soon as possible in order to reduce uncertainties in the profitability of its retail business segment. Such strategies are believed to best position the Group in the increasingly competitive market. The Group always keeps in mind that prioritizing Shareholders' interests is the key driver for the Group's sustainable development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group's cash and cash equivalents amounted to HK$343.8 million (31 December 2012: HK$245.5 million).

In November 2009, the Group entered into a mortgage deed with a leading bank in Hong Kong to raise HK$64.4 million for the completion of acquisition of office premises in Central district. This facility bore interest at one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% per annum or 1.75% below Hong Kong dollars Prime Rate, whichever is the lower. The facility is secured by the office premises with maturity date on 27 November 2019. As at 31 December 2013, the outstanding borrowing of this facility amounted to HK$38.9 million (31 December 2012: HK$45.2 million).

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

The gearing ratio at 31 December 2013, calculated on the basis of borrowings over total equity, was 3.1% as compared with 3.6% at 31 December 2012.

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 2013, a subsidiary of the Company pledged assets with aggregate carrying value of HK$197.0 million (31 December 2012: HK$197.0 million) to secure drawn bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments are set out in note 36(a) to the consolidated financial statements. The Group has no material contingent liabilities as at 31 December 2013.

EMPLOYEES

As at 31 December 2013, the total number of employees of the Group was approximately 4,400 and the employee benefit expenses were approximately HK$341.2 million. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrading their skills and knowledge.

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

Corporate Social Responsibilities

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

The Group sets environmental policies and complies with internationally certified environmental management systems and standards, such as 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, the Group continues to concentrate highly on environmental issues and devoted into charitable activities as well. In 2013, our Company has participated in soap recycling, in which our team helped them to deal with scrap soap donated by hotels and refresh, remove dirt and packaging, etc. This recycled soap will be exported and donated to less developed countries in Asia. Besides, our Company organized collective blood donation function and many of our employees joined it and donated their precious blood to Red Cross. In addition, the Group actively participated in local communities in Hong Kong and the PRC. During the year, the Group has continued our efforts to develop a series of eco-friendly products – Back To Basic and RECCO, which represent the Group's core values in creating a low carbon environment and recognition of the importance of ecology saving.

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

Mr. CHING Chi Keung, aged 49, is an executive Director. He is a member of Executive Committee. Mr. CHING has been responsible for human resources and administrative matters. Mr. CHING joined our Group with Mr. CHING Chi Fai and has over 20 years of experience in the amenity industry. Mr. CHING Chi Fai is the brother of Mr. CHING Chi Keung.

Mr. LIU Zigang, aged 49, is an executive Director. He is a member of Executive Committee. Mr. LIU has been responsible for sales and marketing since he joined our Group in May 1995. He oversees direct sales in the Greater China Region as well as the Southeast Asia markets. Mr. LIU has over 10 years of experience in the 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. LEE King Hay, aged 59, is an executive Director. He is a member of Executive Committee. Mr. LEE is responsible for overseeing manufacturing and business development. Mr. LEE first joined our Group in 1994 and left in 1996 for personal reasons. Subsequently in October 1999, he rejoined our Group as production director overseeing manufacturing. Mr. LEE has over 10 years of experience in the amenity industry. Prior to joining us, Mr. LEE was an aircraft engineer in the Hong Kong and Canadian airline business from 1977 to 1993. Mr. LEE completed the course for Aeronautic Engineering and obtained a Licence in Categories "A" & "C" from Air Service Training in Perth, Scotland and holds aircraft maintenance engineer licences issued by the United Kingdom Civil Aviation Authority, Civil Aviation Department of Hong Kong and Department of Transport Canada.

Ms. CHAN Yim Ching, aged 46, is an executive Director. She is a member of Executive Committee. Ms. CHAN has been responsible for sales and marketing since she joined our Group in 1995. She oversees export sales to overseas markets. Ms. CHAN has over 20 years of experience in the amenity industry. Prior to joining our Group, she worked in several companies engaged in amenity business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SUN Kai Lit Cliff *BBS, JP*, aged 60, is an independent non-executive Director. He is a member of Audit Committee, Remuneration Committee and Nomination Committee. Mr. SUN is an Associate of the Institute of Industrial Engineers of Ohio and has over 30 years of experience in the household products manufacturing industry. Mr. SUN joined Kinox Enterprises Limited ("Kinox") in 1978, which is a renowned household products company in cookware, beverage servers, barbeque grills and chafing dishes. Mr. SUN is an executive director of Kinox and has been involved in various aspects of the operations and management of Kinox. Mr. SUN was appointed the Justice of the Peace in 2003 and was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region of the PRC in 2006. Mr. SUN is also an independent non-executive director of Ka Shui International Holdings Limited and a non-executive director of China South City Holdings Limited, both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. SUN involves himself in many public services in both the PRC and Hong Kong too.

Mr. HUNG Kam Hung Allan, aged 59, 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 43, 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"), a fellow member of the Association of Chartered Certified Accountants ("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 an independent non-executive director of China Saite Group Company Limited and China Tianrui Group Cement Company Limited, the shares of which are listed on the Main Board of the Stock Exchange. Mr. MA was an executive director of FAVA International Holdings Limited and an independent non-executive director of Universe International Holdings Limited and Dejin Resources Group Company Limited, the shares of which are listed on the Stock Exchange.

Mr. NG Bo Kwong, aged 58, was appointed as an independent non-executive Director of the Company on 13 June 2013. He has been appointed as a non-executive Director of the Company since 9 July 2007 and resigned on 31 December 2012. He is a member of the Audit Committee and the Remuneration Committee of the Company. Mr. NG has over 20 years of management experience in different industries (including the amenity industry). He is the honorary chairman of the Chinese Enterprises Competitiveness Advancement Association (中國企業競爭力促進會) 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. He received a master degree of Business Administration from the University of East Asia and a doctor degree of Philosophy in Business Administration from Tarlac State University.

SENIOR MANAGEMENT

Mr. KEUNG Kwok Hung, aged 41, is our chief financial officer and company secretary. Mr. KEUNG joined our group in July 2010 and he is responsible for finance and accounting matters. He has over 18 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 HKICPA and the ACCA. Prior to joining our Company, he was an executive director of a company, the shares of which are listed on the Growth Enterprise Market (GEM board) of the Stock Exchange.

Ms. CHAN Yick Ning, aged 51, 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 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 member of Hong Kong Society of Cosmetic Chemists, which is in affiliation to the International Federation of Societies of Cosmetic Chemists in the United States.

Directors' Report

The Directors of Ming Fai International Holdings Limited (the "Company") are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries (the Company and its subsidiaries collectively, the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2013 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 43 to 115 of this annual report.

An interim dividend of HK1.5 cents per share of the Company (the "Share"), amounting to a total of approximately HK$10,463,000 was paid on 10 October 2013.

The Directors recommend the payment of a final dividend of HK2.0 cents per Share for the year ended 31 December 2013. Subject to the approval by the Shareholders at the annual general meeting of the Company to be held on 22 May 2014 (the "AGM"), the final dividend will be paid on or about 13 June 2014 to the Shareholders whose name appear on the register of members of the Company as at the close of business on 27 May 2014. A sum of the interim and year-end dividends is expected to be HK3.5 cents per Share (2012: HK3.5 cents per Share).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 28 May 2014 to Friday, 30 May 2014 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 27 May 2014.

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 116.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2013 are set out in the consolidated statement of changes in equity on page 47 and note 18 to the consolidated financial statements respectively.

As at 31 December 2013, distributable reserves of the Company amounted to approximately HK$872,980,000.

SUBSIDIARIES

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in note 20 to the consolidated financial statements, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2013.

BORROWINGS

Details of the borrowings of the Group during the year ended 31 December 2013 are set out in note 21 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS

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

Executive Directors

Mr. CHING Chi Fai *(Chairman)*
Mr. CHING Chi Keung
Mr. LIU Zigang
Mr. LEE King Hay
Ms. CHAN Yim Ching

Non-executive Director

Mr. Lawrence Joseph MORSE (resigned on 27 March 2014)

Independent non-executive Directors

Mr. SUN Kai Lit Cliff *BBS, JP*
Mr. HUNG Kam Hung Allan
Mr. MA Chun Fung Horace
Mr. NG Bo Kwong (appointed on 13 June 2013)

In accordance with article 114 of the Company's Articles of Association, Mr. NG Bo Kwong shall retire at the AGM and, being eligible, shall offer himself for re-election. In accordance with article 130 of the Company's Articles of Association, Mr. CHING Chi Fai, Mr. CHING Chi Keung and Ms. CHAN Yim Ching shall retire at the AGM and, being eligible, shall offer themselves for re-election.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND THE FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

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

CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2013 is contained in note 38 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 2013, 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:

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

Name of Director	Nature of interests	Interest in number of Shares	Approximate percentage of shareholding of the Company
Mr. CHING Chi Fai	Corporate *(Note 1)*	165,166,600	23.67%
	Personal *(Notes 2 & 14)*	10,714,000	1.54%
Mr. CHING Chi Keung	Corporate *(Note 3)*	32,499,600	4.66%
	Personal *(Notes 4 & 14)*	4,000,000	0.57%
Ms. CHAN Yim Ching	Corporate *(Note 3)*	32,499,600	4.66%
	Personal *(Notes 5 & 14)*	4,000,000	0.57%
	Family *(Note 6)*	388,000	0.06%
Mr. LIU Zigang	Corporate *(Note 7)*	20,057,200	2.87%
	Personal *(Notes 8 & 14)*	4,000,000	0.57%
Mr. LEE King Hay	Personal *(Notes 9 & 14)*	7,690,000	1.10%
Mr. SUN Kai Lit Cliff	Personal *(Notes 10 & 14)*	600,000	0.09%
Mr. HUNG Kam Hung Allan	Personal *(Notes 11 & 14)*	600,000	0.09%
Mr. MA Chun Fung Horace	Personal *(Notes 12 & 14)*	600,000	0.09%
Mr. NG Bo Kwong	Personal *(Notes 13 & 14)*	600,000	0.09%

Notes:

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

2. Mr. CHING Chi Fai held 10,114,000 Shares and options to subscribe for 600,000 Shares.

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

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

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

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

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

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

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

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

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

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

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

14. As at 31 December 2013, options granted to the above Directors under the share option scheme adopted by the Company on 5 October 2007 were set out below:

Name	Date of grant	Exercise period	Exercise price per share HK$	Number of share options
Mr. CHING Chi Fai	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000
Mr. CHING Chi Keung	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000
Ms. CHAN Yim Ching	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000
Mr. LIU Zigang	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000
Mr. LEE King Hay	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000
Mr. SUN Kai Lit Cliff	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000
Mr. HUNG Kam Hung Allan	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000
Mr. MA Chun Fung Horace	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000
Mr. NG Bo Kwong (appointed on 13 June 2013)	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000

Save as disclosed above, as at 31 December 2013, 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 2013 so far as the Directors are aware of, the following substantial Shareholders (other than a Director or chief executive of the Company) had interests in 5% or more of the Company's issued share capital:

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

Name of substantial Shareholders	Capacity/ nature of interest	Number of Shares	Approximate percentage of shareholding of the Company
Prosper Well International Limited	Beneficial owner	165,166,600 *(Note 1)*	23.67%
Ms. LO Kit Ling	Family interest	175,880,600 *(Note 1)*	25.21%
Ms. PO Fung Kiu	Family interest	36,499,600 *(Note 2)*	5.23%
Mr. LEE King Keung	Personal and Family Interest	36,887,600 *(Note 3)*	5.29%
Atlantis Capital Holdings Limited	Interest of controlled corporation	55,825,000 *(Note 4)*	8.00%
Ms. LIU Yang	Interest of controlled corporation	55,825,000 *(Note 4)*	8.00%
American Hotel Register Company	Beneficial owner	45,585,550 *(Note 5)*	6.53%
Mr. Kevin Christopher LEAHY	Interest of controlled corporation	45,585,550 *(Note 5)*	6.53%
Mr. Sean Fitzpatrick LEAHY	Interest of controlled corporation	45,585,550 *(Note 5)*	6.53%

Notes:

1. 165,166,600 Shares were owned by Prosper Well, which is wholly-owned by Mr. CHING Chi Fai (the chairman and an executive Director). Mr. CHING Chi Fai also beneficially owned 10,114,000 Shares and held options to subscribe for 600,000 Shares. Ms. LO Kit Ling, being Mr. CHING Chi Fai's spouse, was deemed to be interested in the 175,880,600 Shares in which Mr. CHING Chi Fai had interests by virtue of Part XV of the SFO.

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

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

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

5. Mr. Kevin Christopher LEAHY and Mr. Sean Fitzpatrick LEAHY held 34% voting interest of American Hotel Register Company. They were deemed to be interested in the Shares held by American Hotel Register Company by virtue of Part XV of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

REMUNERATION POLICY

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

SHARE OPTION SCHEME

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

Movements on the share options during the year as follows:

Grantee	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2013
				Number of share options					
Directors									
Mr. CHING Chi Fai	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Mr. CHING Chi Keung	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
Ms. CHAN Yim Ching	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
Mr. LIU Zigang	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
Mr. LEE King Hay	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	–	–	–	–	2,000,000
Mr. SUN Kai Lit Cliff	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Mr. HUNG Kam Hung	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Allan	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Mr. MA Chun Fung	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Horace	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Mr. NG Bo Kwong (appointed on 13 June 2013)	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	–	–	–	–	300,000
Employees									
In aggregate	04-09-2012	04-09-2012 to 22-06-2019	0.62	3,382,500	–	–	–	–	3,382,500
	04-09-2012	23-06-2013 to 22-06-2019	0.62	5,039,500[1]	–	–	–	–	5,039,500
	04-09-2012	09-09-2012 to 08-09-2021	0.62	7,169,500	–	(694,000)	–	(100,000)	6,375,500
	04-09-2012	09-09-2013 to 08-09-2021	0.62	7,569,500	–	(50,000)	–	(1,094,000)	6,425,500
	04-09-2012	04-09-2013 to 03-09-2022	0.62	1,686,500	–	(112,000)	–	(112,000)	1,462,500
	04-09-2012	04-09-2014 to 03-09-2022	0.62	1,686,500	–	–	–	(112,000)	1,574,500
Total				**44,934,000**	**–**	**(856,000)**	**–**	**(1,418,000)**	**42,660,000**

Notes:

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

2. In assessing the fair value of the share options granted during the year, the binomial model (the "Model") has been used. The Model is one of the generally accepted methodologies used to calculate the fair value of options and is one of the recommended option pricing models set out in Chapter 17 of the Listing Rules. The variables of the Model include risk-free rate, expected volatility and expected dividend rate (if any) of the Company's shares. The variables of the Model used in assessing the fair value of the share options granted during the year and the estimated fair values as at the date of grant are listed as follows:

Grantee	Date of grant	Vesting date	Vesting period	Risk-free rate	Expected volatility	Expected dividend yield	Estimated fair value per option HK$
Directors	04-09-2012	04-09-2012	–	0.345%	57.371%	4.84%	0.2206
		23-06-2013	04-09-2012 to 22-06-2013	0.345%	57.371%	4.84%	0.2256
Employees	04-09-2012	04-09-2012	–	0.345%	57.371%	4.84%	0.1875
		23-06-2013	04-09-2012 to 22-06-2013	0.345%	57.371%	4.84%	0.2040
Employees	04-09-2012	09-09-2012	04-09-2012 to 08-09-2012	0.555%	57.371%	4.84%	0.1914
		09-09-2013	04-09-2012 to 08-09-2013	0.555%	57.371%	4.84%	0.2116
Employees	04-09-2012	04-09-2013	04-09-2012 to 03-09-2013	0.654%	57.371%	4.84%	0.2122
		04-09-2014	04-09-2012 to 03-09-2014	0.654%	57.371%	4.84%	0.2270

(a) The risk-free rate applied to the Model represents the yield of the Hong Kong Exchange Fund Notes at the measurement date corresponding to the expected life of the options as at the measurement date.

(b) In the determination of volatility, we considered the historical volatility of the Company prior to the issuance of option. The expected volatility used in the calculation is based on the daily price change.

(c) Based on historic pattern, it is assumed that dividend yields are 4.84% during the expected life of the options granted on 4 September 2012.

(d) It should be noted that the value of options calculated using the Model is based on various assumptions and is only an estimate of the fair value of options granted during the period. It is possible that the financial benefit accruing to the grantee of an option will be considerably different from the value estimated using the Model at the measurement date.

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 of directors of the Company (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 42,560,000 which represents approximately 6.10% of the issued share capital of the Company.

(6) Maximum entitlement of each Eligible Person

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

(7) Period of the Share Option Scheme

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

CHANGE OF PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

With effect from 26 January 2013, the Company's principal share registrar and transfer agent in the Cayman Islands has been changed to Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of sales and purchases for the year ended 31 December 2013 attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	5.3%
– five largest customers combined	24.1%
Purchases	
– largest supplier	6.5%
– five largest suppliers combined	17.4%

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 32 to 40 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to approximately HK$148,000.

AUDITOR

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

On behalf of the Board

CHING Chi Fai
Chairman
Hong Kong, 27 March 2014

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 2013, 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 2013 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. LEE King Hay
Ms. CHAN Yim Ching

Non-executive Director

Mr. Lawrence Joseph MORSE (resigned on 27 March 2014)

Independent non-executive Directors

Mr. SUN Kai Lit Cliff *BBS, JP*
Mr. HUNG Kam Hung Allan
Mr. MA Chun Fung Horace
Mr. NG Bo Kwong (appointed on 13 June 2013)

Board Responsibilities and Delegation

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

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

The attendance of the Directors in the Board meeting, the Audit Committee meeting, the Remuneration Committee meeting, the Nomination Committee meeting and the AGM during the year ended 31 December 2013 is as follows:–

	Number of meetings attended/held				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	AGM
Executive Directors					
Mr. CHING Chi Fai *(Chairman)*	4/4	–	1/1	1/1	1/1
Mr. CHING Chi Keung	4/4	–	–	–	1/1
Mr. LIU Zigang	4/4	–	–	–	1/1
Mr. LEE King Hay	4/4	–	–	–	1/1
Ms. CHAN Yim Ching	4/4	–	–	–	1/1
Non-executive Director					
Mr. Lawrence Joseph MORSE (resigned on 27 March 2014)	3/4	–	–	–	0/1
Independent non-executive Directors					
Mr. SUN Kai Lit Cliff	3/4	2/2	1/1	1/1	0/1
Mr. HUNG Kam Hung Allan	4/4	2/2	1/1	–	1/1
Mr. MA Chun Fung Horace	4/4	2/2	1/1	1/1	1/1
Mr. NG Bo Kwong (appointed on 13 June 2013)	2/2	1/1	–	–	–

Each of the Directors (including non-executive Director and independent non-executive Directors) has been entered into a service contract/an appointment letter with the Company for a specific term. All the Directors are subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company. Mr. NG Bo Kwong, an independent non-executive Director, was appointed on 13 June 2013 for a period of one year under the appointment letter and he will retire at the AGM and, being eligible, offer himself for re-election pursuant to the Articles of Association of the Company. All the service contracts or appointment letters of Directors with the Company may be terminated by either party giving written notice in accordance with the terms of service contracts or appointment letters.

The number of independent non-executive Directors has met the requirements under the Listing Rules and Mr. MA Chun Fung Horace has appropriate accounting professional qualifications. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Directors are of the view that all independent non-executive Directors meet the independence guidelines set out in rule 3.13 of the Listing Rules.

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

During the year ended 31 December 2013, four full Board meetings were held. Minutes of the Board meetings are being kept by the company secretary of the Company and are available for inspection by the Directors of the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2013.

BOARD COMMITTEES

The Board has established the following committees:

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

EXECUTIVE COMMITTEE

The members of the Executive Committee are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang, Mr. LEE King Hay and Ms. CHAN Yim Ching, all being executive Directors. Mr. CHING Chi Fai is the chairman of the Executive Committee.

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

Five meetings were held by the Executive Committee during the year ended 31 December 2013.

AUDIT COMMITTEE

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

The principal responsibilities of the Audit Committee include:

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

During the year ended 31 December 2013, the Audit Committee has performed its duties by:

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

Two meetings were held by the Audit Committee during the year ended 31 December 2013.

REMUNERATION COMMITTEE

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

The primary duties of the Remuneration Committee are as follows:

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

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

- considered and reviewed the existing terms of remuneration packages and the performance of individual Directors and the senior management;
- considered the director's fee of Mr. NG Bo Kwong and recommended to the Board for approval; and
- considered and reviewed the Group's remuneration policy in relation to that of comparable companies, time commitment and responsibilities of the Directors and the senior management and desirability of performance-based remuneration.

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

One meeting was held by the Remuneration Committee during the year ended 31 December 2013.

The remuneration of senior management by band for the year ended 31 December 2013 is as follows:

	Number of Individuals 2013
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	1

NOMINATION COMMITTEE

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

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

The work performed by the Nomination Committee during the year ended 31 December 2013 included:

- to review the structure, size and composition of the Board and make recommendations to the Board on any proposed changes to complement the Company's corporate strategy;

- to assess the independence of the independent non-executive Directors; and

- to consider the independence of Mr. NG Bo Kwong and to recommend the appointment of Mr. NG Bo Kwong as an independent non-executive Director.

One meeting were held by the Nomination Committee during the year ended 31 December 2013.

INVESTMENT COMMITTEE

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

As no investment opportunity fell within the scope of its authority, no meeting was held by the Investment Committee during the year ended 31 December 2013.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

Name of Directors	Reading materials regarding regulatory updates	Attending external seminars on professional skills
Executive Directors		
Mr. CHING Chi Fai *(Chairman)*	✓	✓
Mr. CHING Chi Keung	✓	✓
Mr. LIU Zigang	✓	✓
Mr. LEE King Hay	✓	✓
Ms. CHAN Yim Ching	✓	✓
Non-executive Director		
Mr. Lawrence Joseph MORSE (resigned on 27 March 2014)	✓	–
Independent non-executive Directors		
Mr. SUN Kai Lit Cliff	✓	✓
Mr. HUNG Kam Hung Allan	✓	–
Mr. MA Chun Fung Horace	✓	✓
Mr. NG Bo Kwong (appointed on 13 June 2013)	✓	✓

BOARD DIVERSITY POLICY

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

CORPORATE GOVERNANCE FUNCTIONS

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

INTERNAL CONTROL

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

During the year ended 31 December 2013, the Board has conducted a review of the effectiveness of internal control system of the Group and is satisfied with the scope and effectiveness of the system.

COMMUNICATION WITH SHAREHOLDERS

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

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

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by the Shareholders

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

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

Putting Forward Proposals at Shareholders' Meetings

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

Making Enquires to the Board

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities for overseeing the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group, and of results and cash flow for the period. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made prudent and reasonable judgments and estimates and have prepared the financial statements on a going concern basis. The Directors also warrant that the Group's financial statements will be published in a timely manner.

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 41 to 42 of this annual report.

AUDITOR'S REMUNERATION

The external auditor of the Company is PricewaterhouseCoopers. For the year ended 31 December 2013, the fees payable by the Company to the external auditor are listed as below:

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

- HK$76,000 for provision of tax services (non-audit service);

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

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

CONSTITUTIONAL DOCUMENTS

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

On behalf of the Board

CHING Chi Fai
Chairman
Hong Kong, 27 March 2014

Independent Auditor's Report

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

We have audited the consolidated financial statements of Ming Fai International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 115, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2014

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Goodwill	*9(a)*	**355,135**	345,325
Land use rights	*6*	**17,834**	17,793
Property, plant and equipment	*7*	**217,418**	230,467
Investment properties	*8*	**207,180**	206,899
Intangible assets	*9(b)*	**16,322**	16,172
Long-term prepayments	*14*	**19,091**	20,802
Investment in an associated company		**751**	634
Investments in joint ventures		**1,031**	–
Deferred income tax assets	*10*	**8,433**	4,115
Total non-current assets		**843,195**	842,207
Current assets			
Inventories	*11*	**190,456**	199,499
Trade and bills receivables	*12*	**415,761**	391,605
Amount due from an associated company	*13*	**3,146**	1,328
Amounts due from joint ventures		**30**	–
Prepaid tax		**381**	26
Deposits, prepayments and other receivables	*14*	**63,688**	83,566
Restricted cash	*15*	**38,367**	37,307
Cash and cash equivalents	*16*	**343,800**	245,505
Total current assets		**1,055,629**	958,836
Total assets		**1,898,824**	1,801,043
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*20*	**6,977**	6,968
Share premium	*20*	**590,935**	590,413
Other reserves	*18(a)*	**673,664**	636,303
Proposed final dividend	*33*	**13,954**	17,431
		1,285,530	1,251,115
Non-controlling interests		**(12,662)**	(7,710)
Total equity		**1,272,868**	1,243,405

The notes on pages 49 to 115 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*21*	**32,444**	38,868
Deferred income tax liabilities	*10*	**5,912**	5,849
Total non-current liabilities		**38,356**	44,717
Current liabilities			
Current portion of long-term bank borrowings	*21*	**6,413**	6,339
Trade payables	*22*	**233,215**	231,001
Accruals and other payables	*23*	**300,194**	234,740
Current income tax liabilities		**41,229**	34,894
Loans from non-controlling interests	*24*	**6,521**	5,933
Dividends payable		**28**	14
Total current liabilities		**587,600**	512,921
Total liabilities		**625,956**	557,638
Total equity and liabilities		**1,898,824**	1,801,043
Net current assets		**468,029**	445,915
Total assets less current liabilities		**1,311,224**	1,288,122

The financial statements on page 43 to 115 were approved by the Board of Directors on 27 March 2014 and were signed on its behalf.

CHING Chi Fai
Director

CHAN Yim Ching
Director

The notes on pages 49 to 115 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary	17(a)	**235,628**	231,989
Total non-current asset		**235,628**	231,989
Current assets			
Deposits, prepayments and other receivables	14	**170**	306
Amounts due from subsidiaries	17(b)	**650,599**	618,904
Cash and cash equivalents	16	**22,322**	25,577
Total current assets		**673,091**	644,787
Total assets		**908,719**	876,776
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	20	**6,977**	6,968
Share premium	20	**590,935**	590,413
Other reserves	18(b)	**268,091**	260,340
Proposed final dividend	33	**13,954**	17,431
Total equity		**879,957**	875,152
LIABILITIES			
Current liabilities			
Accruals and other payables	23	**603**	1,610
Dividends payable		**28**	14
Current income tax liabilities		**53**	–
Amounts due to subsidiaries	17(b)	**28,078**	–
Total current liabilities		**28,762**	1,624
Total liabilities		**28,762**	1,624
Total equity and liabilities		**908,719**	876,776
Net current assets		**644,329**	643,163
Total assets less current liabilities		**879,957**	875,152

The financial statements on page 43 to 115 were approved by the Board of Directors on 27 March 2014 and were signed on its behalf.

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

The notes on pages 49 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**1,683,999**	1,685,723
Cost of sales	25	**(1,281,528)**	(1,321,475)
Gross profit		**402,471**	364,248
Distribution costs	25	**(199,219)**	(167,780)
Administrative expenses	25	**(119,759)**	(120,941)
Other income	26	**9,307**	33,445
Impairment of property, plant and equipment	7	**(4,315)**	(5,504)
Provision for legal compensation	37	**(26,349)**	–
Operating profit		**62,136**	103,468
Finance income	29	**1,604**	512
Finance costs	29	**(798)**	(1,519)
Share of profit of an associated company		**141**	80
Share of losses of joint ventures		**(19)**	–
Profit before income tax		**63,064**	102,541
Income tax expense	30	**(27,984)**	(27,363)
Profit for the year		**35,080**	75,178
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**16,919**	5,503
Revaluation of land and building prior to transfer to investment properties		**–**	34,116
Total comprehensive income for the year		**51,999**	114,797
Profit/(loss) attributable to:			
Equity holders of the Company		**40,011**	75,250
Non-controlling interests		**(4,931)**	(72)
		35,080	75,178
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**56,951**	114,869
Non-controlling interests		**(4,952)**	(72)
		51,999	114,797
Earnings per share attributable to equity holders of the Company (Expressed in HK cents)			
– Basic	32(a)	**5.7**	11.4
– Diluted	32(b)	**5.6**	11.4

The notes on pages 49 to 115 are an integral part of these consolidated financial statements.

	Note	2013 HK$'000	2012 HK$'000
Dividends			
Interim dividend paid	33	**10,463**	6,508
Proposed final dividend	33	**13,954**	17,431
		24,417	23,939

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to equity holders of the Company					
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2012	6,694	560,626	546,769	1,114,089	(7,812)	1,106,277
Comprehensive income						
Profit/(loss) for the year	–	–	75,250	75,250	(72)	75,178
Other comprehensive income						
Revaluation of land and building prior to transfer to investment properties *(Note 7(note a))*	–	–	34,116	34,116	–	34,116
Currency translation differences	–	–	5,503	5,503	–	5,503
Total comprehensive income/(loss)	–	–	114,869	114,869	(72)	114,797
Final dividend relating to 2011	–	–	(13,017)	(13,017)	–	(13,017)
Interim dividend relating to 2012	–	–	(6,508)	(6,508)	–	(6,508)
Forfeiture of dividends *(Note 20(b))*	–	–	1,764	1,764	–	1,764
Ordinary share issuance *(Note 20)*	456	44,395	–	44,851	–	44,851
Exercise of share options *(Note 20)*	4	244	–	248	–	248
Cancellation of ordinary shares *(Note 20)*	(186)	(14,852)	–	(15,038)	–	(15,038)
Share-based compensation	–	–	8,957	8,957	–	8,957
Capital injection from non-controlling interests	–	–	–	–	174	174
Disposal of subsidiaries *(Note 35)*	–	–	900	900	–	900
Balance at 31 December 2012	6,968	590,413	653,734	1,251,115	(7,710)	1,243,405
Balance at 1 January 2013	**6,968**	**590,413**	**653,734**	**1,251,115**	**(7,710)**	**1,243,405**
Comprehensive income						
Profit/(loss) for the year	**–**	**–**	**40,011**	**40,011**	**(4,931)**	**35,080**
Other comprehensive income						
Currency translation differences	**–**	**–**	**16,940**	**16,940**	**(21)**	**16,919**
Total comprehensive income/(loss)	**–**	**–**	**56,951**	**56,951**	**(4,952)**	**51,999**
Final dividend relating to 2012 *(Note 33)*	**–**	**–**	**(17,438)**	**(17,438)**	**–**	**(17,438)**
Interim dividend relating to 2013 *(Note 33)*	**–**	**–**	**(10,463)**	**(10,463)**	**–**	**(10,463)**
Exercise of share options *(Note 20)*	**9**	**522**	**–**	**531**	**–**	**531**
Share-based compensation	**–**	**–**	**4,834**	**4,834**	**–**	**4,834**
Balance at 31 December 2013	**6,977**	**590,935**	**687,618**	**1,285,530**	**(12,662)**	**1,272,868**

The notes on pages 49 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**171,097**	119,954
Finance interest paid	29	**(798)**	(1,519)
Income tax paid		**(26,832)**	(18,583)
Net cash generated from operating activities		**143,467**	99,852
Cash flows from investing activities			
Purchase of property, plant and equipment		**(24,372)**	(28,294)
Purchase of land use rights		**–**	(1,354)
Purchase of intangible assets		**(3,091)**	(1,797)
Investment in joint ventures		**(1,050)**	–
Proceeds from disposal of property, plant and equipment	34(b)	**815**	1,458
Proceeds from disposal of subsidiaries	35	**13,934**	–
Finance interest received	29	**1,604**	512
Dividends received from an associated company		**24**	36
Net cash outflows arising from disposal of subsidiaries	35	**–**	(19)
Net cash used in investing activities		**(12,136)**	(29,458)
Cash flows from financing activities			
Increase in restricted cash	15	**–**	(37,307)
Proceeds from borrowings	34(c)	**30,000**	51,359
Repayments of borrowings	34(c)	**(36,350)**	(57,625)
Dividends paid to equity holders		**(27,887)**	(19,520)
Capital injection from non-controlling interests		**–**	174
Proceeds from loans from non-controlling interests	34(c)	**588**	523
Net proceeds from issuance of ordinary shares	20	**–**	44,851
Proceeds from exercise of share options	20	**531**	248
Net cash used in financing activities		**(33,118)**	(17,297)
Net increase in cash and cash equivalents		**98,213**	53,097
Cash and cash equivalents at the beginning of the year		**245,505**	191,480
Exchange gains on cash and cash equivalents		**82**	928
Cash and cash equivalents at the end of the year	16	**343,800**	245,505

The notes on pages 49 to 115 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") on 27 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

HKFRS 13, 'Fair value measurement'. HKFRS 13 measurement and disclosures requirements is effective for the Group's accounting year commencing 1 January 2013. It aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements, which are largely aligned between HKFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units ("CGUs") which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

Other amended standards or interpretations that are effective for the first time for the Group's accounting year commencing 1 January 2013 but do not have a material impact to the Group:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 19 (Amendment)	Employee benefits
HKAS 27 (revised 2011)	Separate financial statements
HKAS 28 (revised 2011)	Associates and joint ventures
HKFRS 1 (Amendment)	Government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests and other entities
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine
Fourth 2011 annual improvements project	

(c) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 when it is fully completed and the effective date has been determined.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

HK(IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

(d) Subsidiaries

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries *(Continued)*

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

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

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

(e) Charge 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.

(f) Associated company

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Associated company *(Continued)*

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

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

(g) Joint arrangements

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

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

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

(h) Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Land use rights

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

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

(l) Investment properties

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

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

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

(m) Goodwill

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Intangible assets

(i) Trademarks, club debentures and software licence

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

(ii) Brandname

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Financial assets – loans and receivables

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

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

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

(q) Inventories

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

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

(r) Trade, bills and other receivables

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Cash and cash equivalents

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

(t) Trade payables

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

(u) Borrowings

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

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

(v) Current and deferred income tax

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Current and deferred income tax *(Continued)*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and an associated company, 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.

(w) Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus entitlements

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

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Employee benefits *(Continued)*

(iii) Pension obligations (Continued)

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$1,250 per employee per month. The assets of MPF Scheme are held separately from those of the group companies in an independently administered fund.

(iv) Share-based compensation

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Employee benefits *(Continued)*

(iv) Share-based compensation (Continued)

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

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

(v) Termination benefits

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

(x) Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Revenue recognition

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

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

(i) Sales of goods

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

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

(ii) Rental income

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

(iii) Interest income

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

(z) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any 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.

(aa) Share capital

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

(bb) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Foreign exchange risk

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

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

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

At 31 December 2013, 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$1,633,000 (31 December 2012: HK$1,930,000), higher or lower, mainly as a result of foreign exchange differences on translation of RMB denominated net payables.

At 31 December 2013, 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$6,415,000 (31 December 2012: HK$8,402,000), higher or lower, mainly as a result of foreign exchange differences on translation of US$ denominated net payables.

(ii) Interest rate risk

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

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Interest rate risk (Continued)

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

Based on the simulations performed, the impact on post-tax profit of a 200 basis-point shift would be a maximum increase/decrease of HK$329,000 (for the year ended 31 December 2012: HK$715,000) for the year ended 31 December 2013.

(iii) Price risk

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

(iv) Credit risk

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

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

The table below shows the credit limit and balance of the five major debtors at 31 December 2013 and 31 December 2012.

	As at 31 December			
	2013		2012	
Counterparty	**Credit limit HK$'000**	**Utilised HK$'000**	Credit limit HK$'000	Utilised HK$'000
A	**36,000**	**27,353**	36,000	34,936
B	**26,000**	**24,560**	17,000	16,876
C	**22,000**	**20,248**	16,000	10,023
D	**27,000**	**18,012**	27,000	25,439
E	**15,000**	**13,479**	15,000	13,771
F	**20,000**	**10,741**	20,000	19,093

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Credit risk (Continued)

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	
	2013	2012
	HK$'000	HK$'000
Trade and bills receivables		
Customers accepted within the past 12 months	**20,788**	25,215
Customers accepted beyond the past 12 months	**219,155**	211,303
Total	**239,943**	236,518

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

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Cash and cash equivalents		
Cash at banks and bank deposits		
Listed financial institutions	**287,674**	205,532
Unlisted financial institutions	**55,011**	38,868
	342,685	244,400
Cash on hand	**1,115**	1,105
Total	**343,800**	245,505
Restricted cash		
Listed financial institution	**38,367**	37,307
Total	**38,367**	37,307

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(v) Liquidity risk

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

As at 31 December 2013, the cash and cash equivalents of the Group approximated to HK$343,800,000 (31 December 2012: HK$245,505,000).

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

	Less than 1 year HK$'000	**Between 1 and 2 years** HK$'000	**Between 2 and 5 years** HK$'000	**Over 5 years** HK$'000	**Total** HK$'000
At 31 December 2013					
Borrowings	**6,759**	**6,759**	**20,275**	**6,195**	**39,988**
Trade payables	**233,215**	**–**	**–**	**–**	**233,215**
Accruals and other payables	**138,737**	**–**	**–**	**–**	**138,737**
Loans from non-controlling interests	**6,521**	**–**	**–**	**–**	**6,521**
Dividends payable	**28**	**–**	**–**	**–**	**28**
At 31 December 2012					
Borrowings	6,774	6,774	20,321	12,983	46,852
Trade payables	231,001	–	–	–	231,001
Accruals and other payables	133,845	–	–	–	133,845
Loans from non-controlling interests	5,933	–	–	–	5,933
Dividends payable	14	–	–	–	14

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management

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

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

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

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Borrowings	**38,857**	45,207
Total equity	**1,272,868**	1,243,405
Gearing ratio	**3.1%**	3.6%

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 2013, the Group maintains cash and cash equivalents of approximately HK$343,800,000 (31 December 2012: approximately HK$245,505,000) that are expected to be readily available to meet the cash outflows of its financial liabilities.

(c) Fair value estimation

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

See Note 8 for disclosures of the investment properties that are measured at fair value as at 31 December 2013.

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.

(i) Estimated impairment of goodwill and other intangible assets

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

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

(ii) Income taxes

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

(iii) Estimated impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceed its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. During the year ended 31 December 2013, an impairment of property, plant and equipment of HK$4,315,000 (2012: HK$5,504,000) was made in relation to the laundry business in Changshu, the PRC. Please refer to Note 7 to the consolidated financial statements for more details.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Critical judgements

(i) Constructions on leased premises

Certain constructions or renovations expenditures of the Group are located on leased land and buildings in the PRC. The landlords named in the corresponding lease agreements have informed the Group that they are unable to produce proper land and building ownership certificates or to provide valid lease permits or other necessary permissions. However, based on the Group's past experiences and available information and after consultation with the Group's PRC legal advisor, the directors of the Company are of the view that this is unlikely to cause the interruption or termination of these leases or to have a material effect on the carrying values of the related assets of approximately HK$12,006,000 (31 December 2012: approximately HK$12,919,000) as at 31 December 2013. Accordingly, no impairment for such assets is considered necessary to be made according to the Group's accounting policies.

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

(ii) Impairment of trade and bills receivables

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

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

(iii) Impairment of obsolete inventories

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

5 SEGMENT INFORMATION

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

The Group is principally engaged in the manufacturing and distribution of amenity products. From a geographical perspective, the Board assesses the performance based on the Group's revenue by geographical location in which the customer is located. The Group is also engaged in the distribution and retail business of cosmetics products and fashion accessories in the PRC through franchisees. 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 losses of joint ventures, and provision for legal compensation.

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

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

5 SEGMENT INFORMATION *(Continued)*

Geographical

	Manufacturing and distribution business of amenity products								Distribution and retail business of cosmetics and fashion accessories			Others	
	North America HK$'000	Europe HK$'000	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other Asia Pacific countries *(Note i)* HK$'000	Others *(Note ii)* HK$'000	Sub-total HK$'000	The PRC HK$'000	Hong Kong HK$'000	Sub-total HK$'000	*(Note iv)* HK$'000	Total HK$'000
Year ended 31 December 2013													
Segment revenue	452,102	194,892	453,642	188,708	36,392	204,003	8,569	1,538,308	131,196	3,949	135,145	16,161	1,689,614
Inter-segment revenue	–	–	(5,566)	–	–	–	–	(5,566)	–	(49)	(49)	–	(5,615)
Revenue from external customers	452,102	194,892	448,076	188,708	36,392	204,003	8,569	1,532,742	131,196	3,900	135,096	16,161	1,683,999
Earnings/(loss) before interest, taxes, depreciation, amortisation, impairment of property, plant and equipment and provision for legal compensation	62,167	20,826	47,059	13,503	1,874	24,445	1,273	171,147	(25,197)	(4,780)	(29,977)	(6,196)	134,974
Impairment of property, plant and equipment *(Note 7)*	–	–	–	–	–	–	–	–	–	–	–	(4,315)	(4,315)
Depreciation	(8,574)	(3,696)	(8,498)	(3,579)	(690)	(3,869)	(162)	(29,068)	(2,250)	(223)	(2,473)	(6,880)	(38,421)
Amortisation	(480)	(207)	(475)	(200)	(39)	(216)	(9)	(1,626)	(1,759)	(263)	(2,022)	(105)	(3,753)
Finance income	–	–	1,509	66	–	–	–	1,575	24	–	24	5	1,604
Finance costs	–	–	(21)	(368)	–	–	–	(389)	–	–	–	(409)	(798)
Segment profit/(loss) before income tax	53,113	16,923	39,574	9,422	1,145	20,360	1,102	141,639	(29,182)	(5,266)	(34,448)	(17,900)	89,291
Share of profit of an associated company													141
Share of losses of joint ventures													(19)
Provision for legal compensation *(Note 37)*													(26,349)
Income tax expense													(27,984)
Profit for the year													35,080

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

5 SEGMENT INFORMATION *(Continued)*

Geographical *(Continued)*

	Manufacturing and distribution business of amenity products								Distribution and retail business of cosmetics and fashion accessories			Others	
	North America HK$'000	Europe HK$'000	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other Asia Pacific countries *(Note i)* HK$'000	Others *(Note ii)* HK$'000	Sub-total HK$'000	The PRC HK$'000	Hong Kong HK$'000	Sub-total HK$'000	*(Note iv)* HK$'000	Total HK$'000
Year ended 31 December 2012													
Segment revenue	519,046	194,874	398,866	154,769	39,153	167,470	8,750	1,482,928	193,270	6,310	199,580	16,870	1,699,378
Inter-segment revenue	–	–	(10,822)	(2,004)	–	–	–	(12,826)	–	(15)	(15)	(814)	(13,655)
Revenue from external customers	519,046	194,874	388,044	152,765	39,153	167,470	8,750	1,470,102	193,270	6,295	199,565	16,056	1,685,723
Earnings/(loss) before interest, taxes, depreciation, amortisation, compensation income, fair value gain on contingent consideration in relation to the acquisition of All Team Group Limited & its subsidiaries ("All Team Group") and impairment of property, plant and equipment *(Note 7)*	56,612	16,277	35,815	5,930	2,154	13,877	1,023	131,688	4,504	313	4,817	(10,080)	126,425
Impairment of property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	(5,504)	(5,504)
Depreciation	(10,071)	(3,781)	(7,825)	(3,086)	(760)	(3,250)	(170)	(28,943)	(1,535)	(26)	(1,561)	(9,694)	(40,198)
Amortisation	(353)	(133)	(275)	(108)	(27)	(114)	(6)	(1,016)	(1,714)	(9)	(1,723)	(314)	(3,053)
Finance income	–	–	366	84	–	–	–	450	56	–	56	6	512
Finance costs	–	–	(108)	(896)	–	–	–	(1,004)	–	–	–	(515)	(1,519)
Segment profit/(loss) before income tax	46,188	12,363	27,973	1,924	1,367	10,513	847	101,175	1,311	278	1,589	(26,101)	76,663
Compensation income *(Note 26)*													10,760
Fair value gain on contingent consideration in relation to the acquisition of All Team Group *(Note 20)*													15,038
Share of profit of an associated company													80
Income tax expense													(27,363)
Profit for the year													75,178

	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	*(Note iv)* HK$'000	Inter-segment elimination HK$'000	Total HK$'000
As at 31 December 2012											
Total assets	739,419	472,357	965	21,118	1,233,859	516,475	6,352	522,827	292,054	(247,697)	1,801,043
Include:											
Investment in an associated company	–	634	–	–	634	–	–	–	–	–	634
Additions to non-current assets (other than deferred income tax assets)	21,985	2,896	–	1,421	26,302	21,397	28	21,425	897	–	48,624
Total liabilities	300,696	150,291	20	3,377	454,384	139,837	23,437	163,274	187,677	(247,697)	557,638

5 SEGMENT INFORMATION *(Continued)*

Geographical *(Continued)*

Notes:

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

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

(iii) Other locations mainly include Singapore.

(iv) Others mainly include the laundry business in Changshu, the PRC.

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

6 LAND USE RIGHTS

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

	2013 HK$'000	2012 HK$'000
At 1 January	**17,793**	26,423
Additions	**–**	1,354
Amortisation *(Note 25)*	**(458)**	(649)
Disposal of subsidiaries *(Note 35)*	**–**	(9,552)
Exchange differences	**499**	217
At 31 December	**17,834**	17,793
In the PRC, held on:		
Leases of between 10 to 50 years	**17,834**	17,793

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

	2013 HK$'000	2012 HK$'000
Cost of sales	**165**	372
Distribution costs	**293**	277
	458	649

As at 31 December 2013, certain land use rights of aggregate carrying value approximating to HK$2,177,000 (31 December 2012: approximately HK$2,175,000) were pledged as securities for an undrawn 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 2012									
Cost	57,387	174,628	77,334	16,218	11,336	15,072	170,266	573	522,814
Accumulated depreciation	(3,517)	(39,059)	(42,519)	(9,600)	(6,651)	(10,477)	(77,078)	–	(188,901)
Net book amount	53,870	135,569	34,815	6,618	4,685	4,595	93,188	573	333,913
Year ended 31 December 2012									
Opening net book amount	53,870	135,569	34,815	6,618	4,685	4,595	93,188	573	333,913
Additions	–	1,382	5,240	2,343	1,306	1,883	16,530	107	28,791
Transfer upon completion	–	–	107	–	–	–	573	(680)	–
Transfer to investment properties *(Note a)*	(49,911)	(10,033)	(1,940)	–	–	–	–	–	(61,884)
Disposals *(Note 34(b))*	–	–	–	(140)	(182)	–	(564)	–	(886)
Disposal of subsidiaries *(Note 35)*	–	(20,966)	(1,776)	–	(90)	(46)	(2,765)	–	(25,643)
Depreciation *(Note 25)*	(922)	(8,968)	(6,931)	(2,855)	(1,746)	(1,991)	(16,785)	–	(40,198)
Impairment *(Note b)*	–	–	–	–	–	–	(5,504)	–	(5,504)
Exchange differences	–	882	223	61	27	35	650	–	1,878
Closing net book amount	3,037	97,866	29,738	6,027	4,000	4,476	85,323	–	230,467
At 31 December 2012									
Cost	3,556	140,516	78,297	17,751	12,142	16,909	183,540	–	452,711
Accumulated depreciation and impairment	(519)	(42,650)	(48,559)	(11,724)	(8,142)	(12,433)	(98,217)	–	(222,244)
Net book amount	3,037	97,866	29,738	6,027	4,000	4,476	85,323	–	230,467
Year ended 31 December 2013									
Opening net book amount	**3,037**	**97,866**	**29,738**	**6,027**	**4,000**	**4,476**	**85,323**	**–**	**230,467**
Additions	**–**	**–**	**3,216**	**3,385**	**1,164**	**1,006**	**15,601**	**–**	**24,372**
Disposals *(Note 34(b))*	**–**	**–**	**(170)**	**(75)**	**(26)**	**(14)**	**(314)**	**–**	**(599)**
Depreciation *(Note 25)*	**(88)**	**(7,052)**	**(6,762)**	**(2,736)**	**(1,874)**	**(1,916)**	**(17,993)**	**–**	**(38,421)**
Impairment *(Note b)*	**–**	**–**	**–**	**–**	**–**	**–**	**(4,315)**	**–**	**(4,315)**
Exchange differences	**–**	**2,634**	**737**	**48**	**97**	**110**	**2,288**	**–**	**5,914**
Closing net book amount	**2,949**	**93,448**	**26,759**	**6,649**	**3,361**	**3,662**	**80,590**	**–**	**217,418**
At 31 December 2013									
Cost	**3,556**	**144,423**	**82,924**	**19,897**	**13,559**	**18,300**	**200,262**	**–**	**482,921**
Accumulated depreciation and impairment	**(607)**	**(50,975)**	**(56,165)**	**(13,248)**	**(10,198)**	**(14,638)**	**(119,672)**	**–**	**(265,503)**
Net book amount	**2,949**	**93,448**	**26,759**	**6,649**	**3,361**	**3,662**	**80,590**	**–**	**217,418**

Note a: During the year ended 31 December 2012, land of HK$49,911,000, buildings of HK$10,033,000 and leasehold improvements of HK$1,940,000 has been reclassified to investment properties as a result of change in usage.

Note b: During the year ended 31 December 2013, due to changes in market conditions and losses suffered by the laundry business in Changshu, the PRC, impairment charges were made for plant and machinery of HK$4,315,000 (during the year ended 31 December 2012: HK$5,504,000) by management based on an external valuation.

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	2013 HK$'000	2012 HK$'000
Cost of sales	**27,328**	25,684
Distribution costs	**3,705**	3,171
Administrative expenses	**7,388**	11,343
	38,421	40,198

As at 31 December 2013, certain property, plant and equipment with aggregate carrying value of approximately HK$20,664,000 (31 December 2012: approximately HK$22,246,000) were pledged as securities for an undrawn banking facility of the Group (Note 21).

8 INVESTMENT PROPERTIES

	2013 HK$'000	2012 HK$'000
At 1 January	**206,899**	110,823
Transfer from property, plant and equipment *(Note 7(note a))*	**–**	96,000
Exchange differences	**281**	76
At 31 December	**207,180**	206,899

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

	2013 HK$'000	2012 HK$'000
Rental income *(Note 26)*	**4,836**	3,953
Direct operating expense arising from investment properties that generate rental income *(Note 25)*	**556**	165

8 INVESTMENT PROPERTIES *(Continued)*

(a) An independent valuation of the Group's investment properties was performed by the valuer, Asset Appraisal Limited, to determine the fair value of the investment properties as at 31 December 2013 and 2012. The following table analyses the investment properties carried at fair value.

Fair value hierarchy

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2013.

Valuation for all investment properties of the Group was determined using the sale 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) The Group's interests in investment properties at their carrying amounts are analysed as follows:

	2013 HK$'000	2012 HK$'000
In Hong Kong, held on:		
Leases of less than 50 years	**197,000**	197,000
In PRC, held on:		
Leases of over 50 years	**10,180**	9,899
	207,180	206,899

8 INVESTMENT PROPERTIES *(Continued)*

(c) At 31 December 2013, certain investment properties with an aggregate carrying amount of HK$197,000,000 (31 December 2012: HK$197,000,000) were pledged as security for a mortgage loan of the Group (Note 21).

(d) At 31 December 2013, 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:

	2013 HK$'000	2012 HK$'000
Within one year	**3,507**	3,510
Later than one year but no later than 5 years	**–**	1,428
	3,507	4,938

9 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	2013 HK$'000	2012 HK$'000
At 1 January	**345,325**	342,666
Exchange differences	**9,810**	2,659
At 31 December	**355,135**	345,325

Impairment test of goodwill

Goodwill is allocated to the Group's CGUs identified. As at 31 December 2013, goodwill of HK$355,135,000 is allocated to the distribution and retail business of cosmetics and fashion accessories in the PRC.

The recoverable amount of a CGU is calculated using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows within the five-year period are extrapolated using the estimated growth rates stated below. 3% growth rate is assumed for cash flows beyond the five-year period. The growth rate does not exceed the long-term average growth rate for the country in which the CGU operates.

9 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

(a) Goodwill *(Continued)*

Impairment test of goodwill *(Continued)*

The key assumptions used for the calculation are as follows:

	2013	2012
Average annual growth rate	**35.1%**	27.7%
Average gross margin	**41.5%**	36.0%
Discount rate	**18.0%**	15.4%

Management determined budgeted gross margin based on past performance and its expectations of the market development. The annual growth rate used is consistent with the forecasts of the market. The discount rate used is pre-tax and reflects specific risks relating to the segment.

The recoverable amount calculated exceeded the carrying value. A reduction of average annual growth rate to 27.8%, average gross margin to 31.9% or an increase in discount rate to 28.7% would remove the remaining headroom.

9 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

(b) Intangible assets

	Trademarks HK$'000	Investment in club debentures HK$'000	Brandname HK$'000	Software licence HK$'000	Total HK$'000
At 1 January 2012					
Cost	470	968	17,194	1,808	20,440
Accumulated amortisation	(139)	(783)	(2,292)	(543)	(3,757)
Net book amount	331	185	14,902	1,265	16,683
Year ended 31 December 2012					
Opening net book amount	331	185	14,902	1,265	16,683
Additions	–	–	–	1,797	1,797
Amortisation *(Note 25)*	(52)	(97)	(1,713)	(542)	(2,404)
Exchange differences	–	–	96	–	96
Closing net book amount	279	88	13,285	2,520	16,172
At 31 December 2012					
Cost	470	968	17,328	3,605	22,371
Accumulated amortisation	(191)	(880)	(4,043)	(1,085)	(6,199)
Net book amount	279	88	13,285	2,520	16,172
Year ended 31 December 2013					
Opening net book amount	**279**	**88**	**13,285**	**2,520**	**16,172**
Additions	**746**	**–**	**–**	**2,345**	**3,091**
Amortisation *(Note 25)*	**(311)**	**(88)**	**(1,759)**	**(1,137)**	**(3,295)**
Exchange differences	**–**	**–**	**354**	**–**	**354**
Closing net book amount	**714**	**–**	**11,880**	**3,728**	**16,322**
At 31 December 2013					
Cost	**1,216**	**968**	**17,820**	**5,950**	**25,954**
Accumulated amortisation	**(502)**	**(968)**	**(5,940)**	**(2,222)**	**(9,632)**
Net book amount	**714**	**–**	**11,880**	**3,728**	**16,322**

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:

	2013 HK$'000	2012 HK$'000
Distribution costs	**1,758**	1,713
Administrative expenses	**1,537**	691
	3,295	2,404

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:

	2013 HK$'000	2012 HK$'000
Deferred income tax assets		
– Deferred income tax assets to be realised after more than twelve months	**8,433**	4,115
Deferred income tax liabilities		
– Deferred income tax liabilities to be settled after more than twelve months	**(5,912)**	(5,849)
Deferred income tax assets/(liabilities), net	**2,521**	(1,734)

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

	2013 HK$'000	2012 HK$'000
At 1 January	**(1,734)**	(2,464)
Recognised in the consolidated statement of comprehensive income *(Note 30)*	**4,245**	(3,799)
Disposal of subsidiaries *(Note 35)*	**–**	4,589
Exchange differences	**10**	(60)
At 31 December	**2,521**	(1,734)

10 DEFERRED INCOME TAX *(Continued)*

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

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	**Revaluation of investment properties** HK$'000	**Acquisition of subsidiaries** HK$'000	**Total** HK$'000
At 1 January 2012	(307)	(1,889)	(8,521)	(10,717)
Recognised in the consolidated statement of comprehensive income	(318)	–	670	352
Disposal of subsidiaries *(Note 35)*	–	–	4,589	4,589
Exchange differences	–	(13)	(60)	(73)
At 31 December 2012	**(625)**	**(1,902)**	**(3,322)**	**(5,849)**
Recognised in the consolidated statement of comprehensive income	**(102)**	**(253)**	**439**	**84**
Exchange differences	**–**	**(60)**	**(87)**	**(147)**
At 31 December 2013	**(727)**	**(2,215)**	**(2,970)**	**(5,912)**

Deferred income tax assets

	Decelerated tax depreciation HK$'000
At 1 January 2012	8,253
Recognised in the consolidated statement of comprehensive income	(4,151)
Exchange differences	13
At 31 December 2012	**4,115**
Recognised in the consolidated statement of comprehensive income	**4,161**
Exchange differences	**157**
At 31 December 2013	**8,433**

Deferred income tax liabilities of HK$8,258,000 as at 31 December 2013 (31 December 2012: HK$6,410,000) 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$157,472,000 at 31 December 2013 (31 December 2012: HK$142,946,000), and the Group does not intend to remit these unremitted earnings from the relevant subsidiary to the Company in the foreseeable future.

11 INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	**69,031**	86,630
Work in progress	**11,097**	10,137
Finished goods	**117,066**	107,667
	197,194	204,434
Less: Provision for obsolete inventories	**(6,738)**	(4,935)
Inventories, net	**190,456**	199,499

The cost of inventories included in cost of sales during the year amounted to approximately HK$908,781,000 (31 December 2012: approximately HK$983,031,000).

The gross amount of inventories carried at net realisable value amounted to approximately HK$6,738,000 (31 December 2012: approximately HK$4,935,000) as at 31 December 2013. Full provision has been made with regard to these balances.

12 TRADE AND BILLS RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	**430,306**	399,537
Bills receivables	**5,797**	3,630
Receivable from a non-controlling interest	**229**	8
	436,332	403,175
Less: provision for impairment of receivables	**(20,571)**	(11,570)
Trade and bills receivables, net	**415,761**	391,605

12 TRADE AND BILLS RECEIVABLES *(Continued)*

Ageing analysis of trade and bills receivables as at 31 December 2013 is as follows:

	2013 **HK$'000**	2012 HK$'000
Current	**239,943**	236,518
1 – 30 days	**77,575**	70,947
31 – 60 days	**40,016**	36,383
61 – 90 days	**26,131**	20,151
91 – 180 days	**24,774**	15,582
Over 180 days	**27,893**	23,594
	436,332	403,175

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

	2013 **HK$'000**	2012 HK$'000
Denominated in:		
– RMB	**211,428**	177,238
– US$	**173,055**	181,911
– HK$	**33,851**	31,389
– Other currencies	**17,998**	12,637
	436,332	403,175

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

	2013 **HK$'000**	2012 HK$'000
Trade and bills receivables	**415,761**	391,605

As at 31 December 2013, trade and bills receivables of approximately HK$20,571,000 (31 December 2012: approximately HK$11,570,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales proceeds receivable from PRC customers which have remained long overdue.

12 TRADE AND BILLS RECEIVABLES *(Continued)*

As at 31 December 2013, trade and bills receivables of approximately HK$175,880,000 (31 December 2012: approximately HK$155,087,000) 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:

	2013 **HK$'000**	2012 HK$'000
Up to 90 days	**142,539**	127,481
91 to 180 days	**24,063**	15,582
Over 180 days	**9,278**	12,024
	175,880	155,087

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

	2013 **HK$'000**	2012 HK$'000
At 1 January	**11,570**	5,582
Add: Provision for impairment of trade and bills receivables	**10,471**	9,074
Less: Write-off of provision for impairment of trade and bills receivables	**(1,470)**	(3,086)
At 31 December	**20,571**	11,570

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

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

13 AMOUNT DUE FROM AN ASSOCIATED COMPANY

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

	2013 HK$'000	2012 HK$'000
Current	**878**	1,328
1 – 30 days	**304**	–
31 – 60 days	**395**	–
61 – 90 days	**438**	–
Over 90 days	**1,131**	–
	3,146	1,328

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Current:				
Deposits	**5,246**	3,726	**–**	–
Prepayments	**24,983**	41,371	**145**	293
Other receivables	**33,459**	38,469	**25**	13
	63,688	83,566	**170**	306
Non-current:				
Long-term prepayments	**19,091**	20,802	**–**	–
	82,779	104,368	**170**	306

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Current:				
Deposits	**5,246**	3,726	**–**	–
Other receivables	**33,459**	38,469	**25**	13
	38,705	42,195	**25**	13
Denominated in:				
– RMB	**23,224**	41,900	**–**	–
– HK$	**14,482**	199	**25**	13
– Other currencies	**999**	96	**–**	–
	38,705	42,195	**25**	13

As at 31 December 2013, prepayments of HK$24,389,000 (31 December 2012: HK$33,113,000) represents incentives to franchisees and are amortised over the contractual franchise period, ranging from 36 to 48 months. In the event that the franchisee early terminates or breaches the terms of contract and the Group fails to recover the amount from the franchisees, any unamortised costs will be written off in the consolidated statement of comprehensive income in the period as incurred.

15 RESTRICTED CASH

	2013 HK$'000	2012 HK$'000
Restricted cash	**38,367**	37,307
Denominated in:		
– RMB	**38,367**	37,307

As at 31 December 2013, the restricted cash of RMB30,000,000 (approximately HK$38,367,000) (31 December 2012: approximately HK$37,307,000) was placed as collateral for an irrevocable letter of guarantee that provides financial assurance that the Group will fulfil its obligation with respect to a litigation disclosed in Note 37.

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and on hand	**236,010**	160,720	**2,183**	5,458
Short term bank deposits	**107,790**	84,785	**20,139**	20,119
	343,800	245,505	**22,322**	25,577
Denominated in:				
– US$	**141,119**	43,873	**239**	9
– RMB	**123,186**	129,165	**–**	–
– HK$	**62,240**	52,342	**22,083**	25,568
– Other currencies	**17,255**	20,125	**–**	–
	343,800	245,505	**22,322**	25,577

The Group's cash and bank balances of approximately HK$124,945,000 (31 December 2012: approximately HK$157,607,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

The effective interest rate on short-term bank deposit was 0.12% (31 December 2012: 0.11%) per annum as at 31 December 2013, the deposit has an average maturity of 4 days (31 December 2012: 4 days).

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

(a) Investment in a subsidiary

	Company	
	2013	2012
	HK$'000	HK$'000
Investment, at cost	**235,628**	231,989

As at 31 December 2013, 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	Issued/ paid-capital	Attributable equity	
				Direct	Indirect
Ming Fai Holdings Limited (明輝控股有限公司)	British Virgin Islands, limited liability company	Investment holding; Hong Kong	US$100	100%	–
Quality Amenities Supply Limited	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$1,000,000	–	100%
Ming Fai Asia Pacific Company Limited (明輝亞太有限公司)	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$10,000,000	–	100%
Ming Fai Enterprise International Company Limited (明輝實業國際有限公司)	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$3	–	100%
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%

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

(a) Investment in a subsidiary *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/ paid-capital	Attributable equity	
				Direct	Indirect
Luoding Quality Amenities Company Limited (羅定市品質旅遊用品有限公司)	The PRC, limited liability company	Manufacturing and sales of amenity products and accessories; the PRC	US$2,000,000	–	100%
Ming Fai Quality Amenities (Australia) Pty Limited (formerly known as MF Roommaster Australia Pty Limited)	Australia, limited liability company	Trading of amenity products and accessories; Australia	AUD10,000	–	100%
Changshu Mingfai Travel Products Company Limited (常熟明輝旅遊用品有限公司)	The PRC, limited liability company	Laundry services; the PRC	US$12,000,000	–	100%
Everybody Labo Limited (體研究所有限公司)	Hong Kong, limited liability company	Retail of amenity products and accessories; Hong Kong	HK$2,000,000	–	51%
Chartered Properties Limited (特許置業有限公司)	Hong Kong, limited liability company	Property holding and investment; Hong Kong	HK$100,000	–	100%
Ming Fai Innovative Skin Care Lab Limited (明輝創新護膚研究所有限公司)	Hong Kong, limited liability company	Manufacturing and sales of cosmetics products; Hong Kong	HK$100,000	–	100%
Guangzhou 7 Magic Investment Consultancy Company Limited (廣州七色花投資顧問有限公司)	The PRC, limited liability company	Distribution and retail business of cosmetics and fashion accessories; the PRC	RMB3,000,000	–	100%
Jiangsu 7 Magic Trading Limited (江蘇七色花貿易有限公司)	The PRC, limited liability company	Distribution and retail business of cosmetic and fashion accessories; the PRC	US$225,000	–	100%

(b) Amounts due from/to subsidiaries

At 31 December 2013, except for an amount of approximately HK$78,000,000 (31 December 2012: HK$78,000,000) due from a subsidiary, which bears interest at 2.75% (2012: 4.25%) per annum, and unsecured and repayable on demand, the remaining balances were unsecured, interest free and repayable on demand. The carrying values of these balances are mainly denominated in HK$ and approximate their fair values.

18 RESERVES

(a) Other reserves – Group

	Merger reserve *(Note (i))* HK$'000	Statutory reserve fund *(Note (ii))* HK$'000	Share-based compensation reserve HK$'000	Other reserves HK$'000	Exchange reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2012	61,510	16,525	22,406	5,233	57,031	384,064	546,769
Comprehensive income							
Profit for the year	–	–	–	–	–	75,250	75,250
Other comprehensive income							
Revaluation of land and building prior to transfer to investment properties *(Note 7(note a))*	–	–	–	34,116	–	–	34,116
Currency translation differences	–	–	–	–	5,503	–	5,503
Total comprehensive income	–	–	–	34,116	5,503	75,250	114,869
Final dividends relating to 2011	–	–	–	–	–	(13,017)	(13,017)
Interim dividends relating to 2012	–	–	–	–	–	(6,508)	(6,508)
Forfeiture of dividends *(Note 20)*	–	–	–	–	–	1,764	1,764
Exercise of share options	–	–	(141)	–	–	141	–
Profit appropriation of PRC statutory reserve *(Note (ii))*	–	2,473	–	–	–	(2,473)	–
Share-based compensation	–	–	8,957	–	–	–	8,957
Disposal of subsidiaries *(Note 35)*	–	–	–	–	900	–	900
Balance at 31 December 2012	61,510	18,998	31,222	39,349	63,434	439,221	653,734

18 RESERVES *(Continued)*

(a) Other reserves – Group *(Continued)*

	Merger reserve *(Note (i))* HK$'000	Statutory reserve fund *(Note (ii))* HK$'000	Share-based compensation reserve HK$'000	Other reserves HK$'000	Exchange reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2013	61,510	18,998	31,222	39,349	63,434	439,221	653,734
Comprehensive income							
Profit for the year	–	–	–	–	–	40,011	40,011
Other comprehensive income							
Currency translation differences	–	–	–	–	16,940	–	16,940
Total comprehensive income	–	–	–	–	16,940	40,011	56,951
Final dividends relating to 2012 *(Note 33)*	–	–	–	–	–	(17,438)	(17,438)
Interim dividends relating to 2013 *(Note 33)*	–	–	–	–	–	(10,463)	(10,463)
Exercise of share options	–	–	(123)	–	–	123	–
Profit appropriation of PRC statutory reserve *(Note (ii))*	–	3,277	–	–	–	(3,277)	–
Share-based compensation	–	–	4,834	–	–	–	4,834
Balance at 31 December 2013	61,510	22,275	35,933	39,349	80,374	448,177	687,618
Representing:							
Reserves							673,664
Proposed final dividend *(Note 33)*							13,954
							687,618

Note (i)

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

Note (ii)

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

18 RESERVES *(Continued)*

(b) Other reserves – Company

	Merger reserve *(Note (i))* HK$'000	Share–based compensation reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2012	224,147	22,406	7,212	253,765
Comprehensive income				
Profit for the year	–	–	32,810	32,810
Total comprehensive income	–	–	32,810	32,810
Final dividends relating to 2011	–	–	(13,017)	(13,017)
Interim dividends relating to 2012	–	–	(6,508)	(6,508)
Exercise of share options	–	(141)	141	–
Share-based compensation	–	8,957	–	8,957
Forfeiture of dividends *(Note 20(b))*	–	–	1,764	1,764
Balance at 31 December 2012	**224,147**	**31,222**	**22,402**	**277,771**
Balance at 1 January 2013	**224,147**	**31,222**	**22,402**	**277,771**
Comprehensive income				
Profit for the year	–	–	27,341	27,341
Total comprehensive income	–	–	27,341	27,341
Final dividends relating to 2012 *(Note 33)*	–	–	(17,438)	(17,438)
Interim dividends relating to 2013 *(Note 33)*	–	–	(10,463)	(10,463)
Exercise of share options	–	(123)	123	–
Share-based compensation	–	4,834	–	4,834
Balance at 31 December 2013	**224,147**	**35,933**	**21,965**	**282,045**
Representing:				
Reserves				268,091
Proposed final dividend *(Note 33)*				13,954
Balance at 31 December 2013				**282,045**

19 SHARE-BASED PAYMENT COMPENSATION

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

During the year ended 31 December 2009, a total of 32,000,000 share options were granted to certain directors and employees. 50% of the options are vested after two years from date of grant and the remaining of 50% of the options are only vested after four years from the date of grant. The options have an exercise price of HK$1.12 and will lapse on 23 June 2019. On 4 September 2012, the Company cancelled the remaining 26,822,000 share options and granted the same number of share options at an exercise price of HK$0.62 to replace them. During the year ended 31 December 2012, 1,163,000 share options were forfeited.

On 9 September 2011, a total of 17,790,000 share options were granted to a director and certain employees of the Group. 50% of the options are vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. On 4 September 2012, the Group cancelled the remaining 15,727,000 share options and granted the same number of share options at an exercise price of HK$0.62 to replace them. During the year ended 31 December 2012, 1,288,000 share options were forfeited.

On 4 September 2012, a total of 3,373,000 shares options were granted to certain employees of the Group. 50% of the options were vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. The options have an expercise price of HK$0.62 and will lapse on 4 September 2022. During the year ended 31 December 2013, 1,418,000 share options were forfeited (for the year ended 31 December 2012: 588,000).

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

	2013		2012	
	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**	**44,934**	1.29	45,000
Granted	**–**	**–**	0.62	45,922
Forfeited	**0.62**	**(1,418)**	1.22	(3,039)
Exercised	**0.62**	**(856)**	0.62	(400)
Expired	**–**	**–**	–	–
Cancelled	**–**	**–**	1.29	(42,549)
At 31 December	**0.62**	**42,660**	0.62	44,934

19 SHARE-BASED PAYMENT COMPENSATION *(Continued)*

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

Expiry date	Exercise price in HK$ per share	Number of share options (thousands) 2013	2012
23 June 2019	0.62	**26,822**	27,422
9 September 2021	0.62	**12,801**	14,139
4 September 2022	0.62	**3,037**	3,373
		42,660	44,934

Out of the 42,660,000 outstanding options (2012: 44,934,000 options), 41,085,500 options (2012: 22,467,000 options) were exercisable. Options exercised in 2013 resulted in 856,000 shares (2012: 400,000 shares) being issued at a weighted average price of HK$0.62 each (2012: HK$0.62 each). The related weighted average share price at the time of exercise was HK$0.88 (2012: HK$0.76) per share.

20 SHARE CAPITAL AND SHARE PREMIUM

	2013		2012	
	Number of shares	HK$'000	Number of shares	HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January and 31 December	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
At 1 January	**696,807,697**	**6,968**	669,387,293	6,694
Ordinary share issuance *(Note (a))*	**–**	**–**	45,585,550	456
Exercise of share options *(Note 19)*	**856,000**	**9**	400,000	4
Cancellation of ordinary shares *(Note (b))*	**–**	**–**	(18,565,146)	(186)
At 31 December	**697,663,697**	**6,977**	696,807,697	6,968

20 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

	Share capital HK$'000	Share premium HK$'000	Total HK$'000
Balance at 1 January 2012	**6,694**	**560,626**	**567,320**
Ordinary share issuance *(Note (a))*	456	44,395	44,851
Cancellation of ordinary shares *(Note (b))*	(186)	(14,852)	(15,038)
Exercise of share options	4	244	248
Balance at 31 December 2012	**6,968**	**590,413**	**597,381**
Exercise of share options	9	522	531
Balance at 31 December 2013	**6,977**	**590,935**	**597,912**

Notes:

(a) On 7 December 2012, the Company placed 45,585,550 ordinary shares to American Hotel Register Company pursuant to a placing agreement at a price of HK$1.00 per share. Net proceeds for the ordinary share issuance approximated HK$44,851,000 after deduction of transaction cost.

(b) Pursuant to the sale and purchase agreement in relation to the acquisition of All Team Group dated 18 May 2010, the Group has a right to recover ordinary shares of the Company previously issued to the original vendors of All Team Group should the net profits after taxation of All Team Group for the year ended 31 December 2011 fall below RMB50,000,000 (equivalent to approximately HK$57,400,000).

Since the results of All Team Group for the year ended 31 December 2011 did not meet the threshold above, the Group recovered and cancelled 18,565,146 ordinary shares previously issued to the vendors. A fair value gain on this contingent consideration of approximately HK$15,038,000 was recognised during the year ended 31 December 2012. The fair value gain was calculated with reference to the closing market price of the Company's share as at 30 April 2012, the date of share cancellation. For the same reason, dividends payable to these ordinary shares relating to the years ended 31 December 2010 and 2011 of approximately HK$1,764,000 were also forfeited during the year ended 31 December 2012.

21 BORROWINGS

	2013 HK$'000	2012 HK$'000
Non-current:		
Long-term bank borrowings	**32,444**	38,868
Current:		
Current portion of long-term bank borrowings	**6,413**	6,339
	38,857	45,207
Representing:		
Secured	**38,857**	45,207

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

	2013 HK$'000	2012 HK$'000
Non-current:		
– HK$ *(Note)*	**32,444**	38,868
Representing:		
Later than one year and no later than five years	**26,278**	26,017
Over five years	**6,166**	12,851
	32,444	38,868

	2013 HK$'000	2012 HK$'000
Current:		
– HK$ *(Note)*	**6,413**	6,339

21 BORROWINGS *(Continued)*

The weighted average effective interest rate per annum of the Group's borrowings at 31 December 2013 and 2012 are set out as follows:

	2013	2012
HK$ *(Note)*	**0.96%**	1.05%

Note: In November 2009, the Group obtained a HK$ denominated mortgage loan, which bore interest at the lower of one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% and HK$ Prime rate less 1.75%, for acquiring certain properties in Hong Kong. These properties were pledged against the mortgage loan and included in investment properties in the consolidated financial statements of the Group *(Note 8(c))*.

Another subsidiary of the Company had entered into banking facilities which were secured by land use rights and property, plant and equipment *(Note 6 and Note 7)*.

Interest expense on borrowings for the year ended 31 December 2013 was approximately HK$798,000 (for the year ended 31 December 2012: HK$1,519,000).

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:

	2013 HK$'000	2012 HK$'000
Floating rate		
– Expiring within one year	**252,690**	200,286

22 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2013 HK$'000	2012 HK$'000
Current	**170,421**	156,845
1 – 30 days	**49,034**	54,207
31 – 60 days	**5,168**	9,632
61 – 90 days	**3,146**	4,866
Over 90 days	**5,446**	5,451
	233,215	231,001
Denominated in:		
– RMB	**195,708**	194,605
– HK$	**18,331**	16,367
– US$	**18,046**	18,597
– Other currencies	**1,130**	1,432
	233,215	231,001

23 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Advance from customers	**27,559**	33,948	**–**	–
Other payables	**92,967**	111,993	**–**	–
Accruals	**140,022**	88,799	**603**	1,610
Provision for legal compensation	**39,646**	–	**–**	–
	300,194	234,740	**603**	1,610

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 as follows:

	2013 HK$'000	2012 HK$'000
HK$	**5,998**	5,410
US$	**523**	523
	6,521	5,933

25 EXPENSES BY NATURE

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

	2013 HK$'000	2012 HK$'000
Changes in inventories *(Note 11)*	**908,781**	983,031
Auditor's remuneration	**3,300**	3,135
Amortisation of land use rights *(Note 6)*	**458**	649
Depreciation of property, plant and equipment *(Note 7)*	**38,421**	40,198
Amortisation of intangible asset *(Note 9)*	**3,295**	2,404
Operating lease rental in respect of buildings	**17,835**	13,344
Provision/(write-back of provision) for obsolete inventories	**1,803**	(179)
Provision for impairment of trade and bills receivables *(Note 12)*	**10,471**	9,074
Employee benefit expenses *(Note 27)*	**341,170**	323,057
Transportation expenses	**52,980**	52,123
Exchange (gain)/loss, net	**(2,779)**	1,592
Advertising costs	**24,155**	15,545
Gain on disposal of property, plant and equipment *(Note 34(b))*	**(216)**	(572)
Direct operating expenses arising from investment properties that generate rental income *(Note 8)*	**556**	165
Utilities expenses	**26,299**	27,011

26 OTHER INCOME

	2013 HK$'000	2012 HK$'000
Fair value gain on contingent consideration in relation to the acquisition of All Team Group *(Note 20)*	–	15,038
Compensation income *(Note)*	–	10,760
Income from sales of scrap materials	**2,105**	2,081
Rental income *(Note 8)*	**4,836**	3,953
Others	**2,366**	1,613
	9,307	33,445

Note: During the year ended 31 December 2012, compensation income of HK$10,760,000 was received from Shuangdong Town Government upon mutual agreement in relation to the termination of the purchase a piece of land in Luoding, the PRC.

27 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 HK$'000	2012 HK$'000
Salaries, wages and bonuses	**284,295**	271,281
Pension costs – defined contribution plans	**1,194**	1,030
Welfare and other expenses	**50,847**	41,789
Share-based compensation	**4,834**	8,957
	341,170	323,057

28 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2013 **HK$'000**	2012 HK$'000
Fees	**1,253**	1,207
Basic salaries, housing allowances, other allowances and benefits-in-kind	**6,174**	6,240
Share-based compensation	**1,285**	1,706
Contributions to pension plans	**108**	95
	8,820	9,248

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

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

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

(a) Directors' emoluments *(Continued)*

The emoluments of every Director of the Company for the year ended 31 December 2012 are as follows:

Name of Directors	Fees	Salary	Discretionary bonuses	Share-based compensation	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors *(Note (i))*						
Mr. CHING Chi Fai	120	1,100	956	52	14	2,242
Mr. CHING Chi Keung	120	398	466	349	14	1,347
Mr. LIU Zigang	120	430	564	349	36	1,499
Mr. LEE King Hay	120	653	468	349	14	1,604
Ms. CHAN Yim Ching	120	502	578	349	14	1,563
Mr. LEUNG Ping Shing *(Note (ii))*	30	125	–	66	3	224
Independent non-executive Directors						
Mr. HUNG Kam Hung Allan	150	–	–	52	–	202
Mr. MA Chun Fung Horace	150	–	–	52	–	202
Mr. SUN Kai Lit Cliff	150	–	–	44	–	194
Non-executive Directors						
Mr. NG Bo Kwong *(Note (iii))*	120	–	–	44	–	164
Mr. Lawrence Joseph MORSE *(Note(iv))*	7	–	–	–	–	7
Total	1,207	3,208	3,032	1,706	95	9,248

Note:

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

(ii) Mr. LEUNG Ping Shing resigned as an executive Director of the Company on 30 March 2012.

(iii) Mr. NG Bo Kwong resigned as a non-executive Director of the Company on 31 December 2012 and was appointed as an independent non-executive Director of the Company on 13 June 2013.

(iv) Mr. Lawrence Joseph MORSE was appointed as a non-executive Director of the Company on 11 December 2012 and resigned on 27 March 2014.

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

(a) Directors' emoluments *(Continued)*

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

	Number of Individuals	
	2013	2012
Nil to HK$1,000,000	**5**	6
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	1

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2013 include four Directors (31 December 2012: four) whose emoluments are reflected in the analysis presented above. The emolument payable to the remaining individual for the year ended 31 December 2013 were as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, housing allowances, other allowances and benefit-in-kind	**1,622**	1,405
Share-based compensation	**167**	407
Contribution to pension plans	**15**	13
	1,804	1,825

(c) No emoluments have been paid to the individual or the Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2013 (31 December 2012: Nil).

29 FINANCE INCOME AND FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Finance costs on bank borrowings		
– Not wholly repayable within five years	**(798)**	(1,519)
Finance costs	**(798)**	(1,519)
Finance income	**1,604**	512
Finance income/(costs), net	**806**	(1,007)

30 INCOME TAX EXPENSE

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

	2013 **HK$'000**	2012 HK$'000
Current income tax:		
– Hong Kong profits tax	**18,563**	14,784
– PRC enterprise income tax	**12,836**	8,139
– Singapore income tax	**830**	641
	32,229	23,564
Deferred income tax	**(4,245)**	3,799
	27,984	27,363

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

Hong Kong and PRC profits taxes are calculated at 16.5% (2012: 16.5%) and 25% (2012: 25%) on the estimated assessable profits for the year ended 31 December 2013 respectively.

Luoding Quality Amenities Company Limited is eligible for 50% reduction in corporate tax rate in the year ended 31 December 2012.

Corporate tax in Singapore has been provided at the rate of 17% (2012: 17%) on the estimated assessable profit for the year ended 31 December 2013.

30 INCOME TAX EXPENSE *(Continued)*

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

	2013 HK$'000	2012 HK$'000
Profit before income tax	**63,064**	102,541
Tax calculated at domestic tax rates applicable to profits in the respective countries	**9,577**	18,860
Income not subject to tax	**(4,263)**	(11,331)
Expenses not deductible for tax purposes	**15,725**	12,992
Tax losses for which no deferred income tax asset was recognised	**6,945**	6,842
Tax charge	**27,984**	27,363

The weighted average applicable tax rate was 17% (for the year ended 31 December 2012: 20%) per annum for the year ended 31 December 2013.

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$103,834,000 (31 December 2012: HK$76,923,000) as at 31 December 2013 to offset against future taxable income. These tax losses expire in the following years:

	2013 HK$'000	2012 HK$'000
In the first to fifth years inclusive	**76,014**	52,683
No expiry date	**27,820**	24,240
	103,834	76,923

31 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$27,341,000 for the year ended 31 December 2013 (for the year ended 31 December 2012: HK$32,810,000).

32 EARNINGS PER SHARE

(a) Basic

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

	2013	2012
Profit attributable to equity holders of the Company (HK$'000)	**40,011**	75,250
Weighted average number of ordinary shares in issue (thousands)	**697,391**	660,472
Basic earnings per share attributable to equity holders of the Company (HK cents)	**5.7**	11.4

(b) Diluted

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

32 EARNINGS PER SHARE *(Continued)*

(b) Diluted *(Continued)*

	2013	2012
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	**40,011**	75,250
Weighted average number of ordinary shares in issue (thousands)	**697,391**	660,472
Adjustments for:		
– Share options (thousands)	**12,189**	874
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**709,580**	661,346
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**5.6**	11.4

33 DIVIDENDS

On 23 May 2013, a final dividend of HK2.5 cents per share for the year ended 31 December 2012, amounting to a total dividend of approximately HK$17,438,000 was approved by the Company's shareholders.

On 29 August 2013, the Board resolved to pay an interim dividend of HK1.5 cents per share for the six months ended 30 June 2013, amounting to a total dividend of approximately HK$10,463,000 (for the six months ended 30 June 2012: HK1.0 cent per share).

The final dividend in respect of the year ended 31 December 2013 of HK2.0 cents per share, amounting to a total dividend of approximately HK$13,954,000 is proposed on 27 March 2014, which is subject to approval at the annual general meeting to be held on 22 May 2014. 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 2013.

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2013 HK$'000	2012 HK$'000
Profit before income tax	**63,064**	102,541
Adjustments for:		
– Amortisation of land use rights *(Note 6)*	**458**	649
– Depreciation of property, plant and equipment *(Note 7)*	**38,421**	40,198
– Amortisation of intangible assets *(Note 9)*	**3,295**	2,404
– Gain on disposal of property, plant and equipment *(Note 34(b))*	**(216)**	(572)
– Impairment of property, plant and equipment *(Note 7)*	**4,315**	5,504
– Finance income *(Note 29)*	**(1,604)**	(512)
– Finance costs *(Note 29)*	**798**	1,519
– Provision/(write-back of provision) for obsolete inventories *(Note 25)*	**1,803**	(179)
– Provision for impairment of trade and bills receivables *(Note 12)*	**10,471**	9,074
– Direct write-off of provision of trade and bill receivables	**675**	349
– Amortisation of incentive	**23,255**	15,088
– Share of profit of an associated company	**(141)**	(80)
– Share of losses of joint ventures	**19**	–
– Share-based compensation	**4,834**	8,957
– Cancellation of ordinary shares *(Note 20)*	**–**	(15,038)
– Provision for legal compensation *(Note 37)*	**26,349**	–
Changes in working capital:		
– Inventories	**7,240**	4,370
– Trade and bills receivables	**(35,302)**	(64,617)
– Deposits, prepayments and other receivables	**(2,811)**	(20,069)
– Trade payables	**2,214**	5,533
– Accruals and other payables	**25,808**	25,490
– Amount due from an associated company	**(1,818)**	(655)
– Amounts due from joint ventures	**(30)**	–
Cash generated from operations	**171,097**	119,954

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:

	2013 **HK$'000**	2012 HK$'000
Net book amount:		
– Property, plant and equipment *(Note 7)*	**599**	886
Gain on disposal of property, plant and equipment *(Note 25)*	**216**	572
Proceeds from disposal of property, plant and equipment	**815**	1,458

(c) Analysis of changes in financing during the year

Bank borrowings

	2013 **HK$'000**	2012 HK$'000
Beginning of the year	**45,207**	51,473
Proceeds from borrowings	**30,000**	51,359
Repayments of borrowings	**(36,350)**	(57,625)
Exchange difference	**–**	–
End of the year	**38,857**	45,207

Loans from non-controlling interests

	2013 **HK$'000**	2012 HK$'000
Beginning of the year	**5,933**	5,410
Proceeds from loans	**588**	523
Exchange difference	**–**	–
End of the year	**6,521**	5,933

35 DISPOSAL OF SUBSIDIARIES

In December 2012, Ming Fai Holdings Limited ("Ming Fai Holdings"), a subsidiary of the Company, entered into a sales and purchase agreement (the "Agreement") with an independent third party (the "Purchaser") to dispose of its entire equity interests in All Team Group (the "Disposal") at a consideration of RMB11,202,000 (equivalent to approximately HK$13,934,000). The Disposal was completed on 28 December 2012. The consideration was received in the year ended 31 December 2013.

In accordance with the Agreement, the consideration should be settled by 27 March 2013. It was subsequently agreed between Ming Fai Holdings and the Purchaser that the settlement date of the consideration to be deferred to 26 September 2013. The Purchaser had pledged the land and building of Parel (Guangzhou) Cosmetics Limited as collateral to secure the settlement of the consideration.

	HK$'000
Consideration receivable	13,934
Analysis of assets and liabilities over which control was lost:	
Land use rights *(Note 6)*	9,552
Property, plant and equipment *(Note 7)*	25,643
Other receivables	12,464
Cash and cash equivalents	19
Accruals and other payables	(17,784)
Tax payable	(12,271)
Deferred income tax liabilities *(Note 10)*	(4,589)
Net assets disposed of	13,034
Release of reserve upon disposal of subsidiaries *(Note 18(a))*	900
Sub-total	13,934

36 COMMITMENTS

(a) Capital commitments

As at 31 December 2013, the capital commitments of the Group were HK$12,559,000 (31 December 2012: HK$4,454,000).

	2013 HK$'000	2012 HK$'000
Contracted but not provided for in the consolidated financial statements	**12,559**	4,454

As at 31 December 2013, the Group had committed to contribute approximately HK$3,911,000 (31 December 2012: Nil) to certain subsidiaries. Remaining commitments are related to the purchase of property, plant and equipment.

(b) Operating lease commitments

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

	2013 HK$'000	2012 HK$'000
No later than one year	**17,032**	13,737
Later than one year and no later than five years	**23,990**	17,293
Later than five years	**5,182**	5,648
	46,204	36,678

(c) Other commitments

As at 31 December 2013, the Group has the following other commitments:

	2013 HK$'000	2012 HK$'000
No later than one year	**58**	704
Later than one year and no later than five years	**3**	36
	61	740

37 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 judgment made by the Higher People's Court of Fujian Province against the Defendant that, amongst other things, the Defendants shall pay to the Plaintiff a total amount of RMB30,000,000 (equivalent to approximately HK$38,367,000) as damages. As a result, the Group accrued provision for legal compensation and other related costs of RMB31,000,000 (equivalent to approximately HK$39,138,000) in its consolidated financial statements as at 31 December 2013.

The Group acquired this distribution and retail business in the PRC in 2010. Since acquisition, the Group had withheld RMB10,000,000 (equivalent to approximately HK$12,789,000) from the consideration payable to the vendors to satisfy any claims against the vendors in respect of any breaches of warranties provided in the sales and purchase agreement. The amount was recognised as "other payables" in the consolidated balance sheet as at 31 December 2013. The Directors of the Company, based on the opinion from its legal counsel, are of the view that the Group could claim such loss against the vendors, and accordingly, a receivable of the same amount was recognised as "other receivables" as at 31 December 2013. Therefore, the net amount recognised in the consolidated statement of comprehensive income was RMB21,000,000 (equivalent to approximately HK$26,349,000) during the year.

	2013 HK$'000
Provision for legal compensation	39,138
Less: Claim receivables under indemnity	(12,789)
	26,349

38 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, Mr. LEE King Hay and Ms. CHAN Yim Ching.

38 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant related party transactions

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

Name of related party	Principal business activities	Relationship with the Group
Mr. LIU Zigang	Not applicable	A shareholder and a Director of the Company
Ming Fai Plastic Industrial Company	Manufacturing of plastic products (Ceased manufacturing of plastic products since April 2003)	Partnership owned by Mr. CHING Chi Fai, Mr. YEUNG Tin Loi and Mr. CHING Chi Keung
Quality Amenities Supply (M) Sdn. Bhd.	Trading of hotel amenities and accessories	Associated company of the Company
Advance Management Consultants Limited	Provision of consultancy services	Company owned by Mr. NG Bo Kwong who is a former non-executive Director of the Company. He resigned as non-executive Director of the Company on 31 December 2012 and was appointed as independent non-executive Director of the Company on 13 June 2013.

The Group had the following significant transactions with related parties:

	2013 HK$'000	2012 HK$'000
(i) Sales of goods		
– to Quality Amenities Supply (M) Sdn. Bhd.	**4,497**	2,415
(ii) Rental charged		
– by Ming Fai Plastic Industrial Company	**921**	898
– by Mr. LIU Zigang	**167**	162
(iii) Purchase of services rendered from		
– Consultancy service from Advance Management Consultants Limited	**–**	68
– Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd.	**918**	529

38 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant related party transactions *(Continued)*

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

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

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

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

(b) Key management compensation

	2013 HK$'000	2012 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**6,774**	6,873
Share-based compensation	**1,145**	1,514
Contributions to pension plans	**108**	92
	8,027	8,479

(c) Year end balances arising from sales/purchase of goods/services

	2013 HK$'000	2012 HK$'000
Amounts due from		
– Quality Amenities Supply (M) Sdn. Bhd.	**3,146**	1,328

Five Years Financial Summary

CONSOLIDATED RESULTS

	Years ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Revenue	811,336	1,085,933	1,475,369	1,685,723	**1,683,999**
Profit before income tax	119,713	135,922	90,221	102,541	**63,064**
Income tax expense	(23,444)	(26,178)	(22,760)	(27,363)	**(27,984)**
Profit for the year	96,269	109,744	67,461	75,178	**35,080**

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
ASSETS					
Non-current assets	308,482	789,694	856,596	842,207	**843,195**
Current assets	753,475	634,568	812,971	958,836	**1,055,629**
Total assets	1,061,957	1,424,262	1,669,567	1,801,043	**1,898,824**
EQUITY AND LIABILITIES					
Total equity	795,735	974,357	1,106,277	1,243,405	**1,272,868**
Non-current liabilities	57,919	73,021	55,907	44,717	**38,356**
Current liabilities	208,303	376,884	507,383	512,921	**587,600**
Total liabilities	266,222	449,905	563,290	557,638	**625,956**
Total equity and liabilities	1,061,957	1,424,262	1,669,567	1,801,043	**1,898,824**