2010

ANNUAL REPORT

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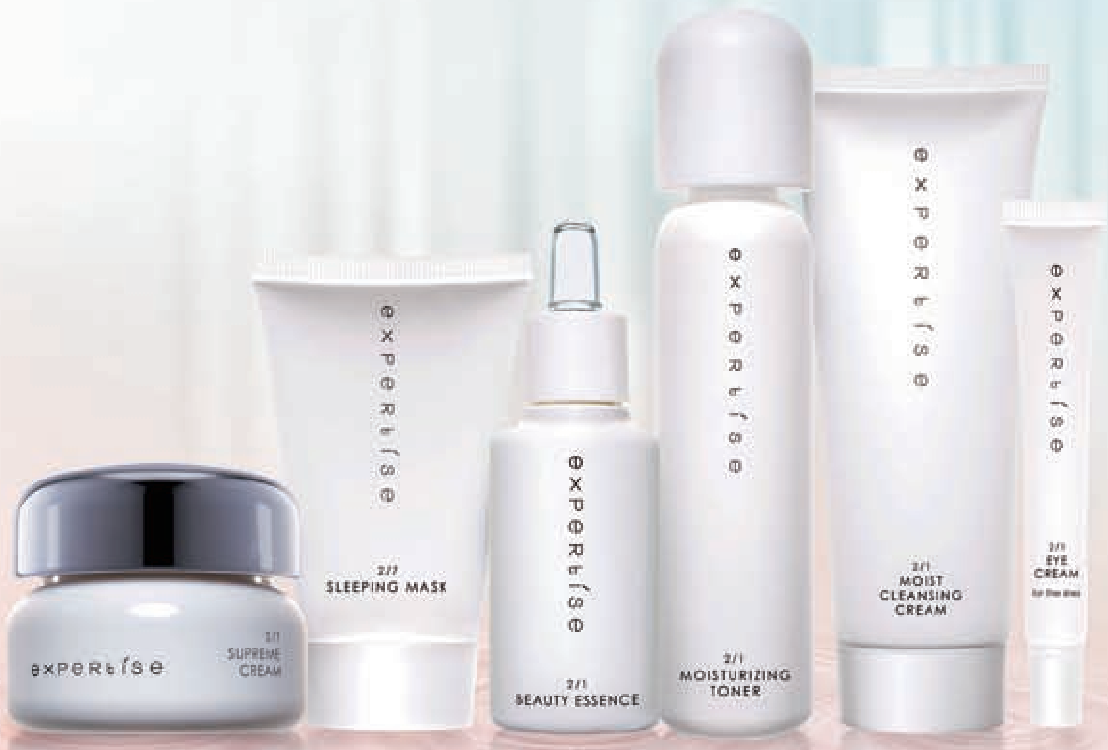
明輝國際控股有限公司*
Ming Fai International Holdings Limited

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

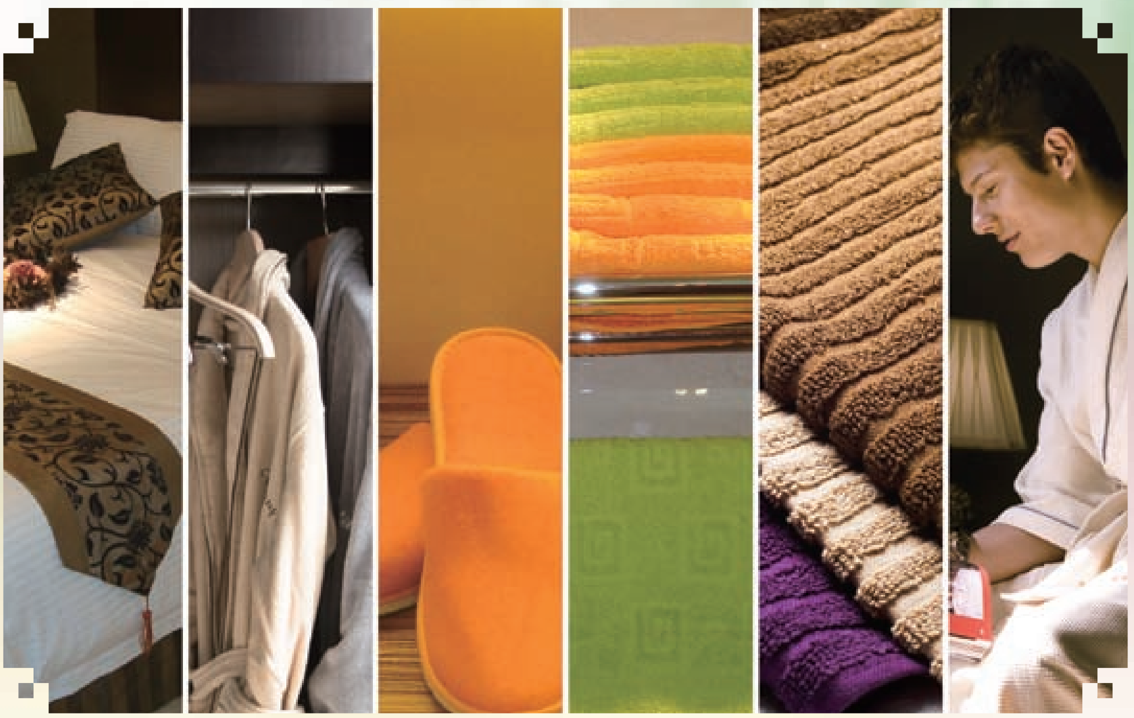
* For identification only

CONTENTS



SUPREME CREAM
SLEEPING MASK
BEAUTY ESSENCE
MOISTURIZING TONER
MOIST CLEANSING CREAM
EYE CREAM

CORPORATE INFORMATION



Corporate Information

BOARD OF DIRECTORS

Executive Directors:

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

Non-executive Director:

NG Bo Kwong

Independent non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

EXECUTIVE COMMITTEE

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

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

YIM Wing Sze *CPA*

PRINCIPAL BANKERS

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

AUDITOR

PricewaterhouseCoopers

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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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

Suite 501-502, 5th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

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

Bainikeng, Pinghu, Longgang
Shenzhen, the PRC

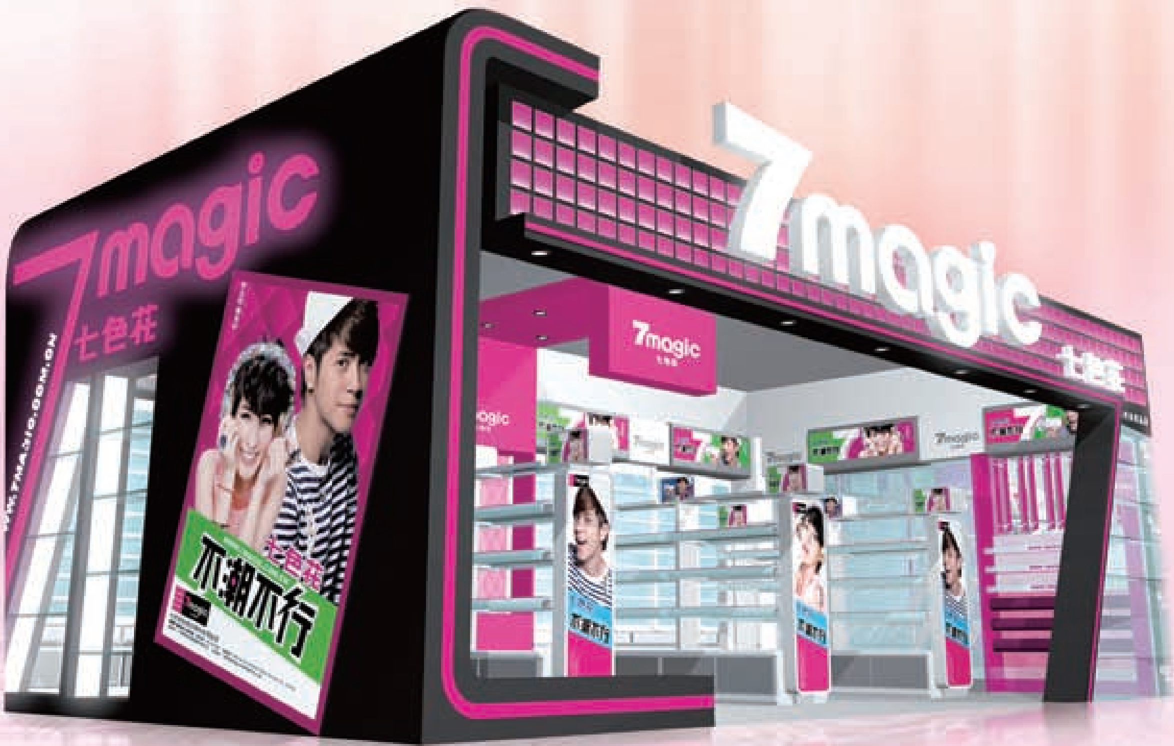
WEBSITE

www.mingfaigroup.com

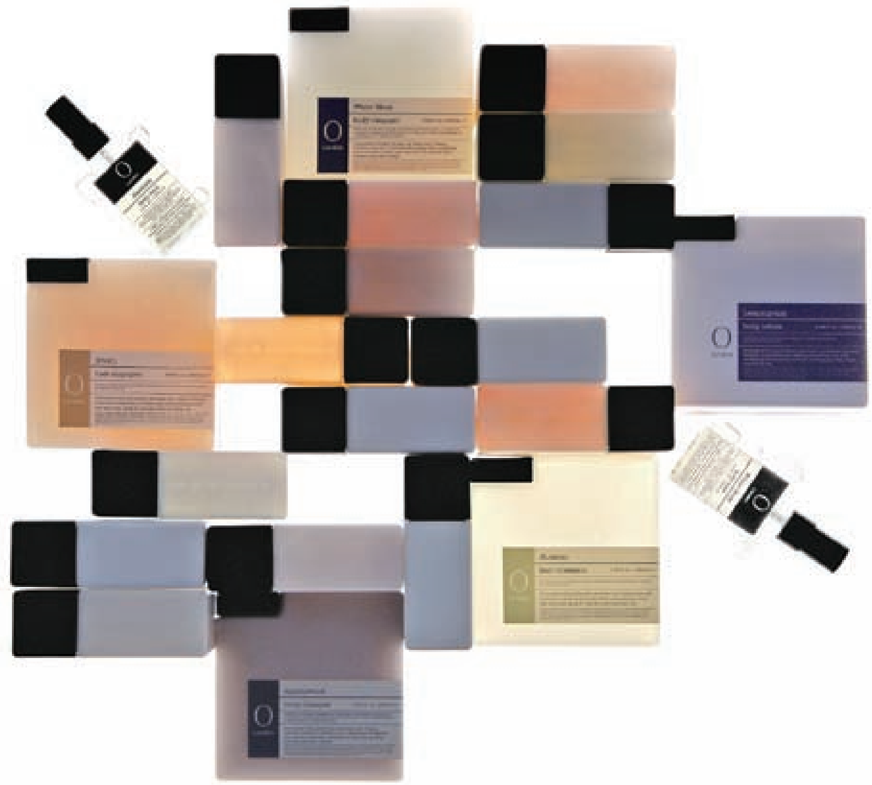
STOCK CODE

3828

CHAIRMAN'S STATEMENT



Chairman's Statement



I am delighted to report that Ming Fai International Holdings Limited ("the Company") and its subsidiaries ("the Group") delivered another set of remarkable results for the financial year ended 31 December 2010.

REVIEW

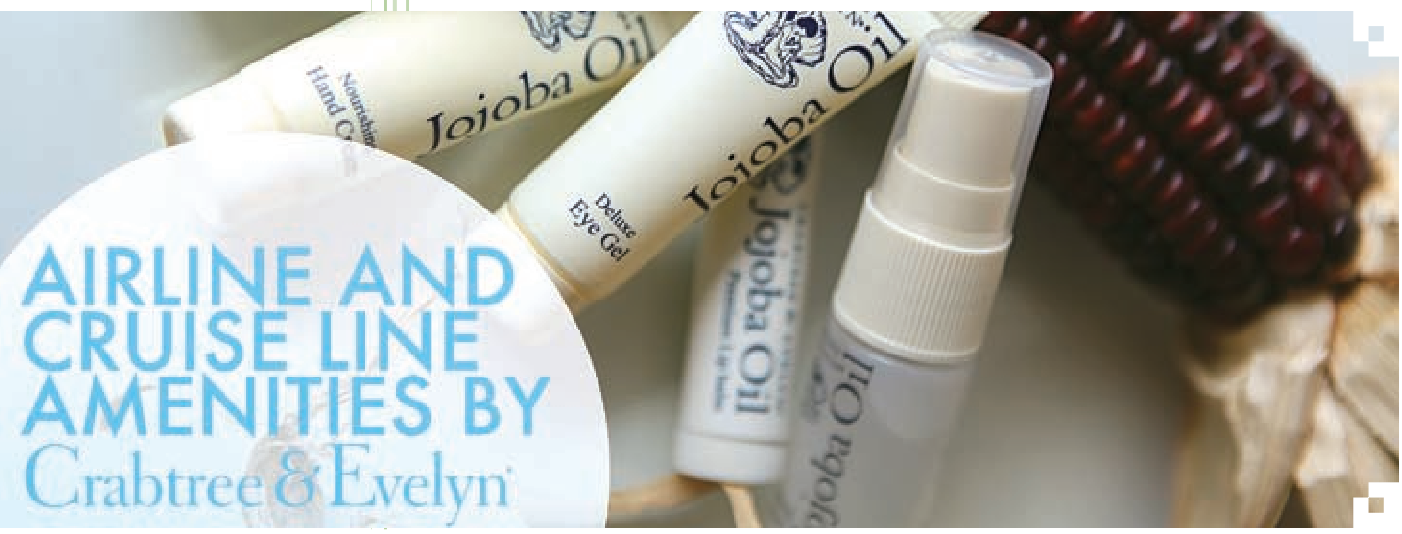
Year 2010 was again another remarkable milestone for the Group since our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2007. Despite the great credit crunch impact of 2009 has gone past, during the year 2010, the Group has came across both new developments and new challenges. The Group's core business gradually improved by strong growth especially in Asia, mainly supported by huge demand in China. To better capture the growth opportunities, the Group has also taken step to develop the retail business in the Mainland. Although the global market has been improved, the rising of the raw material price has become another major issue of the world's manufacturing industry. Nevertheless, the Group remains profitable for the year 2010 and maintains financially healthy throughout the year. Profit attributable to equity holders of the Company was HK$116.1 million in 2010 as compared with HK$98.0 million in 2009.

In the light of the Group's profit growth, solid capital structure and high liquidity, the board (the "Board") of directors (the "Directors") is recommending a final dividend of HK4.5 cents per share, making a total annual dividend of HK8.0 cents per share, representing a dividend payout ratio of 42.1%.

In the second half of 2010, the Group took the first step to enter into the cosmetic products and fashion accessories retail market in the PRC with a broadly recognised brand "7 Magic", through the acquisition of All Team Group Limited and its subsidiaries ("All Team Group") which are principally engaged in the distribution and retail business of cosmetic products and fashion accessories in China. By the strategic move of diversifying its business scope into another brand new business model, the Group aims to become one of the leading cosmetic and skincare distributors through strong retail network across China. On the other hand, Hong Kong retail business (namely "everyBody Labo") has made a noticeable progress by entering into a Hong Kong health and beauty product retail chain "Mannings" and also the "Beauty bazaar" of Harvey Nichols Hong Kong. Furthermore, the Group expanded its retail network through different distributors across China. While developing new businesses, throughout 2010, the core business of the Group continues to grow by increasing demand for amenity products especially in the emerging markets such as China. The newly opened laundry plant located at Changshu City in the Jiangsu Province, the PRC not only enables the Group to enhance the relationship between our existing hotels customers and further tighten up our client base in the long run but also diversifies the Group's business.

Although the business environment continues to recover, the world economy still remains uncertain. The industry has been facing a great new challenge – continually rising raw material prices since 2008. This impact is especially significant in 2010. As the prices of all raw materials had been rising dramatically throughout the year, the Group believes that it has become a major new challenge for the whole manufacturing business arena.

To cope with the impact on the rising raw material prices, the management held meetings regularly to monitor the Group's raw material costs and take necessary actions such as stocking up more raw materials, entering into supply contracts with longer terms and as a last resort increasing selling prices with an aim to stabilize the Group's gross profit margin.



Maintaining highly environmental focus is always one of our Group's core values. In 2010, the Group successfully attained the GSV Global Security Verification and the Hong Kong Green Label Certificate. Moreover, the Group has been awarded as 'The Most Outstanding Contribution Award of Low-Carbon Supplier', and has launched a new series of 'Eco-friendly and Low Carbon' concept – ECM products. The Group believes that, being one of the world's leading hotel amenities suppliers, it is our social responsibilities to promote quality eco-friendly products and green environment.

OUTLOOK

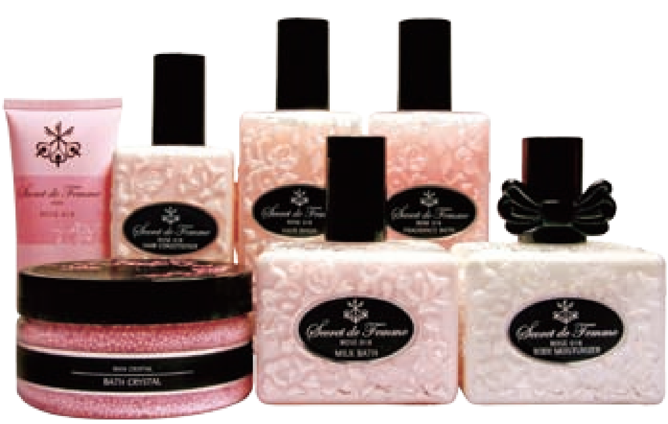
As the global economic recovery has been driven by Asia in 2010, China's domestic demand has played a dominant role in contributing to Asia's momentum. Expected growth will remain strong for China as well as other Asian countries. As Asian exports have been benefited from the rebound in global demand, Asia is expected to continue to lead and maintain a sustainable growth throughout 2011.

Though Asia seems to be taking the lead for the global recovery, the growth of Europe and the United States is uncertain. The global inflation is pressuring the manufacturing industries. The Group believes that rising raw material prices will continue to be a major challenge for the whole economy in the coming year whereas the Group will keep on taking appropriate measures to cope with all difficulties.

Looking forward, the Group will focus on maintaining its leadership position in developing and manufacturing quality amenities products to satisfy customers' needs. And by continuously enhancing its innovative and cost-effective strategies, the Group is confident in the future development of its retail business through the newly acquired China franchise retail network and its self-developed high-end retail brand. In this new business arena, the Group will make use of its competitive strengths, while maintaining high liquidity and strong market position, to consolidate our leading position and to take full advantage of the market growth potential. We strongly believe that retail business will become one of our major sources of profit contribution.

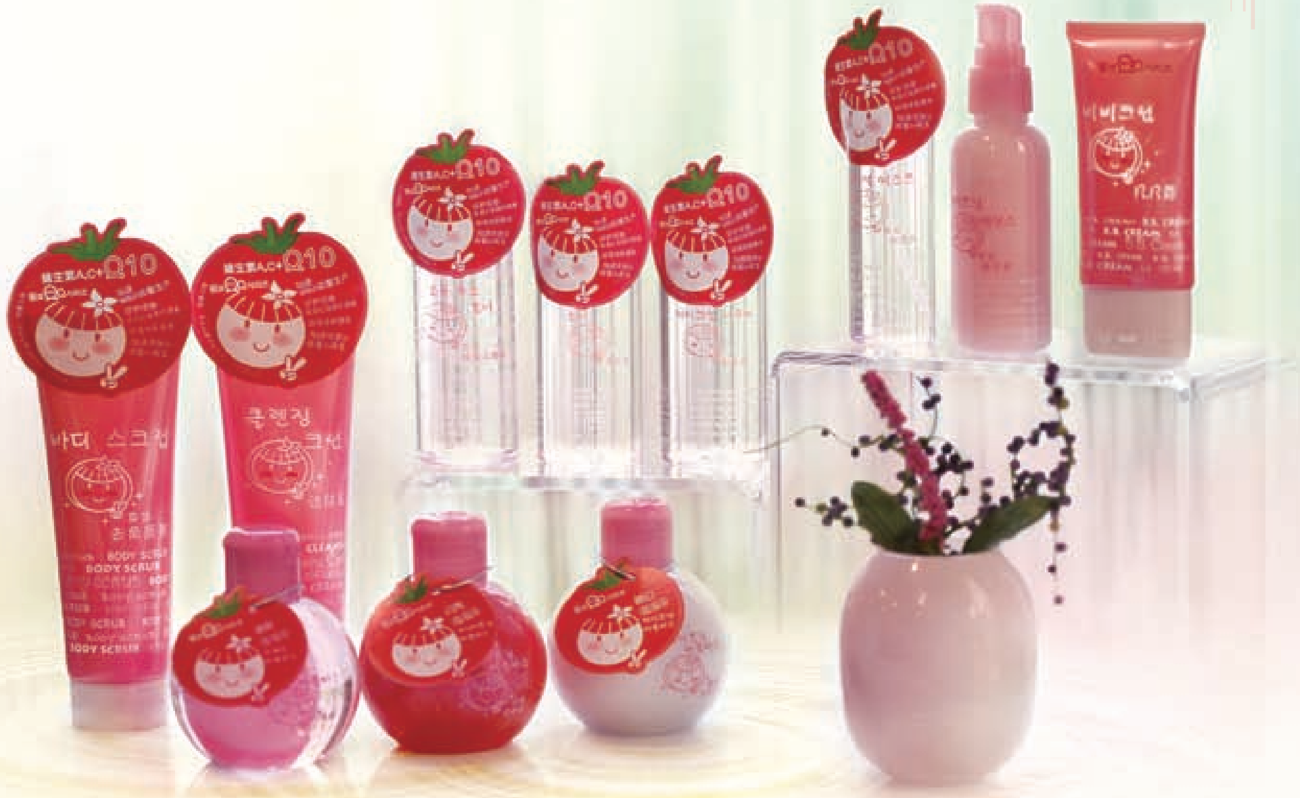
APPRECIATION

I am proud to be working with all the intelligent, creative, dedicated and loyal employees, who are the Groups most valuable assets. I wish to take this opportunity to thank my fellow directors, management, all staff as well as business partners for their continued support and commitment.

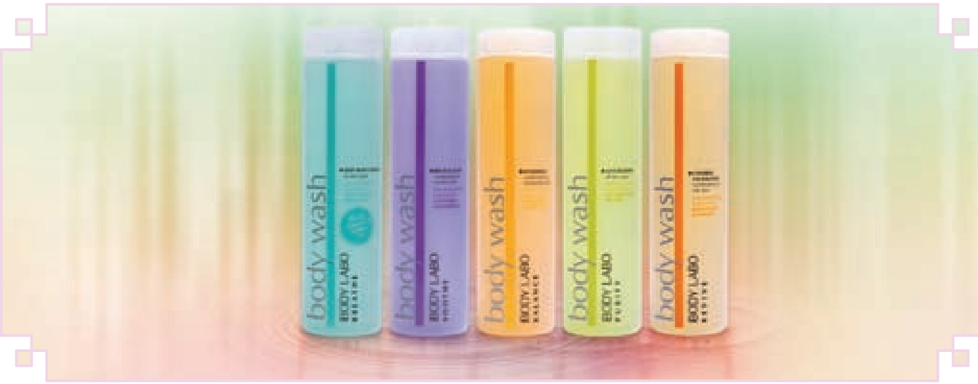


CHING Chi Fai
Chairman
HONG KONG, 29 March 2011

MANAGEMENT DISCUSSION *and* ANALYSIS



Management Discussion and Analysis



FINANCIAL REVIEW

Total consolidated revenue for the year ended 31 December 2010 increased by 33.8% to HK$1,085.9 million, with HK$1,001.1 million contributed by the manufacturing and distribution business of amenity products and HK$84.8 million contributed by the distribution and retail business of cosmetics and fashion accessories which is a new operating segment of the Group. Compared with the same period last year, it reflects sales growth in all the Group's geographic areas. Profit attributable to equity holders of the Company was HK$116.1 million for the year ended 31 December 2010, an increase of 18.5%, compared with HK$98.0 million for the year ended 31 December 2009.

Basic earnings per share attributable to equity holders of the Company was HK19.0 cents (2009: HK16.3 cents).

The overall gross profit margin for the year decreased by 1.0% to 27.9% from 28.9% for the year ended 31 December 2009 which was mainly due to rising raw material prices.

The consolidated net asset value increased to HK$974.4 million as at 31 December 2010 from HK$795.7 million as at 31 December 2009.

The Board has resolved to propose a final dividend of HK4.5 cents per share for the year ended 31 December 2010 making a total annual dividend of HK8.0 cents per share (2009: HK8.0 cents per share). The proposed dividend is subject to approval at the forthcoming AGM on 12 May 2011.

The Group's profit for the year included the following items:

- Increase in fair value of investment properties in Hong Kong of HK$14.0 million;
- A loss of HK$2.8 million in respect of its operation in laundry plant in Jiangsu Province, the PRC which is 100% owned by the Group;
- Compensation expense for fair value of share options granted to the eligible employees (including the directors) of HK$8.6 million;

- A loss of HK$2.0 million in respect of its operation in towels manufacturing plant in Guangxi Province, the PRC which is 51% owned by the Group; and

- A loss of HK$10.7 million in respect of its 51% held retail business under a brand "everyBody Labo".

Set out below are the consolidated financial highlights of the Group for the year ended 31 December 2010:

	2010 HK$ million	(Restated) 2009 HK$ million
Revenue	**1,085.9**	811.3
Gross profit	**303.4**	234.6
Profit attributable to equity holders of the Company	**116.1**	98.0
Net asset value	**974.4**	795.7
Basic earnings per share attributable to equity holders of the Company (HK cents)	**19.0**	16.3
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**18.4**	16.3

BUSINESS REVIEW

Benefited from the strong global recovery momentum leading by Asia regions, especially the continuous high domestic demand of the emerging markets across the region, the Group has recorded a significant sales growth in the period of 2010. Total consolidated revenue of HK$1,085.9 million was 33.8% higher than 2009, with a profit attributable to equity holders of HK$116.1 million. The Board has also proposed a dividend of HK4.5 cents per share, with an aggregate amount of HK$28.7 million.

Core operations (the manufacturing and distribution business of amenity products) for the Group continued to grow due to the strong market forces of emerging Asia, particularly in the PRC. In 2010, the PRC became one of the Group's major market focuses which has contributed 24.9% of total revenue for the core business segment, representing the success of the Group's long-term strategy on capturing the opportunity of emerging markets. North America remains to be the Group's core profit contribution, which has contributed 35.7% of total revenue for the core business segment during the year. Other areas such as Europe, other Asia Pacific countries (excluding Australia), Hong Kong, Australia and others accounted for 14.4%, 11.7%, 8.6%, 3.6% and 1.1% of total revenue for the core business segment, respectively.

During the year under review, a total amount of HK$81.4 million of 4 months' revenue (for the period from 1 September 2010 to 31 December 2010) was recorded for the new retail business in the PRC (All Team Group with the brand "7 Magic"), representing 7.5% of the total revenue for the Group. The respective profit attributable to equity holders contributed by this business unit amounted to approximately HK$14.9 million.

The key data of 7 Magic are set out below:

Number of outlets as at 31 December 2010:	
– Shops under franchise contracts	1,013
– Dealers	366
– Self-owned shops	2
	1,381
Gross profit margin for the period	32.9%
Net profit margin for the period	18.3%

Core operation – significant rebound in emerging Asia, particularly in China

With China's strong growth, the Group experienced a significant rebound throughout 2010 in its core operation after the global economic turmoil. During the year under review, all the major business units of the Group recorded a steady growth in both new contracts acquired and new hotels brought in under existing contracts resulting from the organic expansion of worldwide hotel chains in particular Mainland China. Being the leading player in the hotel amenities industry, the Group maintains well established and highly diversified distribution networks worldwide. By utilizing its strong networks and excellent opportunity across China and Asia, the Group strongly believes that it can benefit from the continuous economic rebound across all regions.

Management Discussion and Analysis

Business development – Asia continues to be the growth momentum

Retail brand – everyBody Labo

In October 2010, our own personal care retail brand "everyBody Labo" successfully entered into a Hong Kong health and beauty product retail chain "Mannings" with more than 175 stores in Hong Kong. Two months later, in December 2010, "everyBody Labo" opened a retail counter in "Harvey Nichols Hong Kong". In China, "everybody Labo" further penetrated the retail market through many point-of-sales such as counters. The retail project incurred a start-up loss in the year 2010. This is mainly due to the high rental costs in the opening of two self-owned stores in Causeway Bay and Mongkok, Hong Kong. As diversifying sources of sales channels are expanding, the stores have served our purpose of building brand awareness. The Causeway Bay store had closed down in late 2010. The Mongkok one is also being planned for closure to lower the operating costs. Together with stable sales growth through Hong Kong and China distribution networks, management is confident that the operation will breakeven and hopefully become profitable in 2011.

China retail market – 7 Magic

Capturing the fast economic growth of the PRC's domestic retail market, on 31 August 2010, the Group has completed an acquisition of the entire interest in All Team Group Limited. All Team Group Limited, through its subsidiaries, is principally engaged in the distribution of cosmetic products and fashion accessories in the PRC with the brand "7 Magic". Total consideration was RMB250.0 million, satisfied by cash and consideration shares (please refer to the Company's announcements published on the website of The Stock Exchange on 31 July 2010 and 31 August 2010 respectively). With the acquisition the Group successfully expands its business scope into retail market, focusing fast-growing consumption demand from second and third-tier cities in the PRC. The strategic move creates synergies and allows the Group to benefit from the booming younger female fashion accessories and cosmetic markets in the PRC. After the acquisition, the Group has been proactively focusing on integration and enhancement in areas of franchise management control, systems and logistics including upgrading the Enterprise Resource Planning ("ERP") and Point of Sales ("POS") systems and relocating to a new centralized warehouse with double storage and logistic handling capacity located at Zhejiang Province, the PRC. We strongly believes the above investment and structural improvement has now put "7 Magic" in a significant better and competitive position in the industry.

Laundry services

In December 2010, the Group's newly constructed laundry plant in Jiangsu Province, the PRC has grandly opened to provide laundry services for hotels. The Group has invested approximately HK$78.0 million in the project to further enhance the Group's presence in the hotel related industry, aiming to support the fast growing needs of the Group's hotel customers in the PRC. The laundry plant has commenced operation in early 2011. As the market rebounds particularly fast in emerging Asia, the Group believes that the commercial laundry would be a total solution to hotels addressing their needs whilst boosting the Group's profit. In addition, it strengthens the long-term relationship with its existing hotel customers.

The Group will continue to utilize its strong networks and financial position in expanding its new retail business across China while maintaining the core business with its newly added laundry service for hotels to a steady growth.

PROSPECTS

China continues to be the growth driver for global economic recovery in 2011. This is well supported by the International Monetary Fund's major report the "World Economic Outlook" which states Asia would continue its rapid growth over the medium and the long term. However, macroeconomic environment remains challenging. To cope with various upcoming new challenges arising from the fast changing global environment, the Group will continue to undergo business plans to reinforce its leading position in the amenities products market. By adopting distinctive operating strategy and new business models, the Group continues to strengthen its core business growth while seeking new opportunities to develop a more competitive sales network in China. Looking ahead, spurring domestic consumption and ensuring a more equitable distribution of wealth are going to be the two major issues facing China, according to the PRC central government's 12th Five-Year Plan. The policymakers are expected to take steps to raise the nation's income levels and living standards. Riding on the increase of public's purchasing power as well as the effect of urbanization, we expect to see a continuous growth in the retail and consumption sector.

The Group strongly believes that by maximizing synergies and expanding new business scope, the retail business would become a major contribution to the Group's revenue.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group's cash and cash equivalents amounted to HK$158.8 million (2009: HK$455.0 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 Hong Kong. This facility bears 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 2010, the outstanding borrowing of this facility amounted to HK$57.7 million (2009: HK$63.8 million).

In August 2010, the Group has obtained a Renminbi ("RMB") denominated revolving loan, which bears interest at the three months lending rate of The People's Bank of China times 1.15 for working capital. A property was pledged against the revolving loan with the maturity date of 2 August 2011. As at 31 December 2010, the outstanding borrowing of this loan amounted to HK$11.7 million.

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

The gearing ratio at 31 December 2010, calculated on the basis of borrowings over total equity, was 7.1% as compared with 8.0% at 31 December 2009.

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.

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

CHARGES ON GROUP ASSETS

As at 31 December 2010, certain subsidiaries of the Company pledged assets with aggregate carrying value of HK$190.9 million (2009: HK$146.1 million) to secure drawn bank borrowings.

Certain assets of approximately HK$27.4 million (2009: HK$28.4 million) with aggregate carrying value were pledged to secure undrawn banking facilities.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2010, the capital commitment of the Group was HK$36.4 million (2009: HK$69.0 million). At the balance sheet date, the Group had no material contingent liabilities.

Details of capital commitments are set out in note 35(a) of the consolidated financial statements.

EMPLOYEES

As at 31 December 2010, the total number of employees of the Group was approximately 5,100. 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 in order to allow our management staff and other employees to stay on top of their skills and knowledge.

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

CORPORATE SOCIAL RESPONSIBILITIES

The Group is committed to the principle of sustainable development. The Group sets environmental policies and implements internationally certified environmental management systems including ISO 14001:2004, the Hong Kong Green Mark Certification Scheme and Global Security Verification. In 2010, the Group continued to attained Ecocert and European Union ECO LABEL certification. It also attained the GSV Global Security Verification and the Hong Kong Green Label Certificate. Being one of the world's leading hotel amenities suppliers, the Group continues to maintain highly environmental focus as one of our core values. In November 2010, the Group was being honored with "The Most Outstanding Contribution Award of Low-Carbon Supplier" by the "International Hotel Magazine". The Group has launched a new series of 'Eco-friendly and Low Carbon' concept – ECM products to our customers in 2010. All of these eco-products emphasized the importance of green living and social responsibilities, which represents Ming Fai's core values in creating an environmental friendly environment.

During the year, a Research and Development centre in Tuen Mun office, Hong Kong has also started operation. The Group has sponsored The University of Hong Kong for an innovative project on cosmetic products through the HKSAR Government's Innovation and Technology Fund scheme, which will increase the capacity in the research and development of the Group. And by cooperating with The University of Hong Kong and sharing creative ideas, the Group believes that this would enhance the competitiveness in a fast-paced & knowledge-based society. Corporate Social Responsibilities ("CSR") is not just about philanthropy, but also responsibility towards the community and being able to provide a platform for it to give back in a way that is meaningful, fulfilling and sustainable. CSR will remain a prominent feature in the Group's agenda, and environmental management is always the 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 49, is an executive Director and chairman of the Company. 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 46, is an executive Director. 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 46, is an executive Director. 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 56, is an executive Director. 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 43, is an executive Director. 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.

Mr. LEUNG Ping Shing, aged 52, was appointed as a non-executive Director in May 2010 and was re-designated as an executive Director in December 2010. He has over 16 years of experience in finance and accounting. In the past 10 years, he has worked for well known hotel management companies overseeing their finance and accounting matters. Mr. Leung holds a degree of Bachelor of Business Administration in Accounting and Finance from Simon Fraser University, Vancouver, Canada. Mr. Leung is an independent non-executive Director ("INED") of China Sunshine Paper Holdings Company Limited, the shares of which are listed on the Main Board of the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Mr. NG Bo Kwong, aged 55, is a non-executive Director. Mr. Ng joined our Group as a management consultant in November 2000 and has over 20 years of management experience in different industries (including the amenity industry). Mr. Ng is the honorary chairman of the Chinese Enterprises Competitiveness Advancement Association (中國企業競爭力促進會) and a 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 MBA programs and senior executive development programs of several universities. He had been a director for a number of non-listed companies and is currently a director of Advance Management Consultants Limited (艾雲斯管理顧問有限公司). He received a Master of Business Administration from the University of East Asia Macau and completed the fundamental course work of the Doctor of Business Administration from Murdoch University. He also holds a Diploma in Management Studies awarded jointly by The Hong Kong Polytechnic University and Hong Kong Management Association. Since Mr. Ng was not and is not expected to be involved in our day-to-day operations, he was appointed as a non-executive Director on 9 July 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SUN Kai Lit Cliff *BBS, JP*, aged 57, is an INED. 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 an 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 INED of Ka Shui International Holdings Limited and a non-executive director of China South City Holdings Limited, both companies are listed on the Main Board of the Stock Exchange. Mr. Sun involves himself in many public services in both the PRC and Hong Kong too.

Mr. HUNG Kam Hung Allan, aged 56, is an INED. 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 privatised 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 40, is an INED. 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 currently a council member of HKICPA. Mr. Ma is an executive director of FAVA International Holdings Limited, the shares of which are listed on the GEM board of the Stock Exchange. Also, Mr. Ma is an INED of Universe International Holdings Limited and Dejin Resources Group Company Limited, the shares of which are listed on the Main Board of the Stock Exchange.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. KEUNG Kwok Hung, aged 38, is our chief financial officer. Mr. Keung joined our group in July 2010 and is responsible for finance and accounting matters. He has 16 years' 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 GEM board of the Stock Exchange.

Ms. CHAN Yick Ning, aged 48, 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 our chemical and microbiological laboratory, the performance of our 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 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 are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the supply and manufacture of quality amenity products and accessories to internationally recognised or branded operators, and has forayed into distribution business of the cosmetics and fashion accessories in China in 2010. The Company acts as an investment holding company. Details of the principal activities of major subsidiaries 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 2010 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 40 to 115 of this annual report.

An interim dividend of HK3.5 cents per share, amounting to an approximate total of HK$22,300,000 was paid on 8 October 2010.

The Directors recommend the payment of a final dividend of HK4.5 cents per share of the Company (the "Share") for the year ended 31 December 2010. Subject to the approval of the Directors' recommendation by the shareholders at the annual general meeting of the Company to be held on 12 May 2011 (the "AGM"), the final dividend will be paid on or about 26 May 2011 to shareholders whose name appear on the register of shareholders of the Company as at the close of business on 28 April 2011. The total amount of such dividend is approximately HK$28,671,000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 29 April 2011 to Wednesday, 4 May 2011 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 28 April 2011.

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 2010 are set out in the consolidated statement of changes in equity on page 44 and note 18(b) to the consolidated financial statements, respectively.

As at 31 December 2010, distributable reserves of the Company amounted to approximately HK$739,126,000.

SUBSIDIARIES

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the shares during the year.

BORROWINGS

Details of the borrowings of the Group during the year ended 31 December 2010 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 holding company or 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 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
Mr. LEUNG Ping Shing *(appointed as non-executive Director on 14 May 2010 and re-designated from non-executive Director to executive Director on 28 December 2010)*

Non-executive Directors

Mr. NG Bo Kwong
Mr. CHING Chau Chung *(resigned on 16 April 2010)*

Independent non-executive Directors

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

In accordance with articles 14 and 130 of the Company's Articles of Association, Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LEUNG Ping Shing, Mr. HUNG Kam Hung Allan and Mr. MA Chun Fung Horace will 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 16 to 18.

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 and Mr. MA Chun Fung Horace to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang, Mr. LEE King Hay and Ms. CHAN Yim Ching has entered into a service agreement dated 21 September 2010 with the Company under which they agreed to act as executive Directors, for a period of three years commencing from 21 September 2010 unless terminated in accordance with the terms of the service contracts.

Mr. LEUNG Ping Shing has entered into a service agreement dated 28 December 2010 with the Company under which he agreed to act as an executive Director, for a period of three years commencing from 28 December 2010 unless terminated in accordance with the terms of the service contract.

Mr. NG Bo Kwong has signed a letter of appointment with the Company under which he agreed to act as a non-executive Director for a period of one year commencing from 21 September 2010 unless terminated in accordance with its terms of the appointment letter.

Each of Mr. MA Chun Fung Horace, Mr. SUN Kai Lit Cliff and Mr. HUNG Kam Hung Allan has signed a letter of appointment with the Company under which they agreed to act as independent non-executive Directors for a period of one year commencing from 21 September 2010 unless terminated in accordance with the terms of the appointment letters.

Save as aforesaid, there is no existing or proposed service contracts (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation other than statutory compensation) between the Directors and any member of the Group.

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.

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.

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

As at 31 December 2010, 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
Ching Chi Fai	Corporate *(Note 1)*	185,166,600	29.06%
	Personal *(Note 2 & 5)*	9,057,000	1.42%
Ching Chi Keung	Corporate *(Note 3)*	44,499,600	6.98%
	Personal *(Note 5)*	4,000,000	0.63%
Chan Yim Ching	Corporate *(Note 3)*	44,499,600	6.98%
	Personal *(Note 5)*	4,388,000	0.69%
Liu Zigang	Corporate *(Note 4)*	23,857,200	3.74%
	Personal *(Note 5)*	4,000,000	0.63%
Lee King Hay	Personal *(Note 5)*	5,690,000	0.89%
Leung Ping Shing	Personal *(Note 5)*	2,650,000	0.42%
Ng Bo Kwong	Personal *(Note 5)*	600,000	0.09%
Sun Kai Lit Cliff	Personal *(Note 5)*	600,000	0.09%
Hung Kam Hung Allan	Personal *(Note 5)*	600,000	0.09%
Ma Chun Fung Horace	Personal *(Note 5)*	600,000	0.09%

Notes:

1. These shares are owned by Prosper Well International Limited ("Prosper Well"), which is wholly-owned by Mr. Ching Chi Fai.

2. 8,457,000 shares are owned by Mr. Ching Chi Fai.

3. These shares are owned by Targetwise Trading Limited ("Targetwise"), which is owned as to 50% and 50% by Mr. Ching Chi Keung and Ms. Chan Yim Ching respectively.

4. These Shares are owned by Favour Power Limited ("Favour Power"), which is wholly-owned by Mr. Liu Zigang.

5. The Company has conditionally adopted the Share Option Scheme on 5 October 2007. Options granted to the above Directors under the Share Option Scheme as at 31 December 2010 are set out below:

Name of Director	Date of grant	Exercise period	Exercise price per share HK$	Number of share options
Ching Chi Fai	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000
Ching Chi Keung	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000
Chan Yim Ching	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000
Liu Zigang	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000
Lee King Hay	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000
Leung Ping Shing	14-9-2010	14-9-2011 to 13-9-2020	2.80	300,000
	14-9-2010	14-9-2012 to 13-9-2020	2.80	300,000
Ng Bo Kwong	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000
Sun Kai Lit Cliff	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000
Hung Kam Hung Allan	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000
Ma Chun Fung Horace	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000

Save as disclosed above, as at 31 December 2010, 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 2010, 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	185,166,600 *(Note 1)*	29.06%
Ms. Lo Kit Ling	Family interest	194,223,600 *(Note 1)*	30.48%
Targetwise Trading Limited	Beneficial owner	44,499,600 *(Note 2)*	6.98%
Ms. Po Fung Kiu	Family interest	48,499,600 *(Note 3)*	7.61%
Mr. Lee King Keung	Personal and Family Interest	48,887,600 *(Note 4)*	7.67%

Notes:

1. 185,166,600 shares were owned by Prosper Well International Limited, which is wholly-owned by Mr. Ching Chi Fai (the chairman and an executive Director). Mr. Ching Chi Fai also beneficially owned 8,457,000 shares and held a share option to subscribe 600,000 shares. Ms. Lo Kit Ling, being Mr. Ching Chi Fai's spouse, was deemed to be interested in the 194,223,600 shares in which Mr. Ching Chi Fai had interests by virtue of Part XV of the SFO.

2. These 44,499,600 shares were owned by Targetwise Trading Limited, which is beneficially owned as to 50% by each of Mr. Ching Chi Keung and Ms. Chan Yim Ching, both are executive Directors.

3. Ms. Po Fung Kiu, being Mr. Ching Chi Keung's spouse, was deemed to be interested in the 48,499,600 shares in which Mr. Ching Chi Keung had interests by virtue of Part XV of the SFO.

4. Mr. Lee King Keung held a share option to subscribe 388,000 shares. Mr. Lee, being Ms. Chan Yim Ching's spouse, was deemed to be interested in the 48,887,600 shares in which Ms. Chan Yim Ching had interests 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.

REMUNERATION POLICY

Remuneration of our employees (including the Directors) are generally structured by reference to market terms and individual merits. Salaries are normally reviewed 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 conditionally adopted a share option scheme on 5 October 2007 (the "**Share Option Scheme**").

On 7 May 2010, share options to subscribe for 3,700,000 shares were granted to certain employees of the Group at an exercise price of HK$3.72 per share. The closing price of shares on the date of grant was HK$3.72 per share. On 14 September 2010, share options to subscribe for 1,758,000 shares were granted to a director and an employee of the Company at an exercise price of HK$2.80 per share. The closing price of shares on date of grant was HK$2.70 per share.

Movements on the share options during the year as follows:

				Number of share options				
Grantee	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Forfeited/ Lapsed during the year	Outstanding as at 31 December 2010
Directors								
Ching Chi Fai	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	300,000
Ching Chi Keung	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
Chan Yim Ching	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
Liu Zigang	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
Lee King Hay	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
Leung Ping Shing	14-9-2010	14-9-2011 to 13-9-2020	2.80	–	300,000	–	–	300,000
	14-9-2010	14-9-2012 to 13-9-2020	2.80	–	300,000	–	–	300,000
Ng Bo Kwong	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	300,000
Ching Chau Chung	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	300,000[2]	–
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	300,000[2]	–
Sun Kai Lit Cliff	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	300,000
Hung Kam Hung	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	300,000
Allan	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	300,000
Ma Chun Fung	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	300,000
Horace	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	300,000
Employees								
In aggregate	23-6-2009	23-6-2011 to 22-6-2019	1.12	5,621,000[1]	–	–	–	5,621,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	5,621,000[1]	–	–	–	5,621,000
	7-5-2010	7-5-2011 to 6-5-2020	3.72	–	1,850,000	–	–	1,850,000
	7-5-2010	7-5-2012 to 6-5-2020	3.72	–	1,850,000	–	–	1,850,000
	14-9-2010	14-9-2011 to 13-9-2020	2.80	–	579,000	–	–	579,000
	14-9-2010	14-9-2012 to 13-9-2020	2.80	–	579,000	–	–	579,000
Total				30,842,000	5,458,000	–	600,000	35,700,000

Notes:

1. Included in employees of the Group was 388,000 options granted to Mr. Lee King Keung, being spouse of Ms. Chan Yim Ching who is an executive Director of the Company.

2. The 600,000 share options granted to Mr. Ching Chau Chung were forfeited/lapsed during the year following his resignation as a non-executive Director on 16 April 2010.

3. 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**	**Risk-free rate**	**Expected volatility**	**Expected dividend yield**	**Estimated fair value per option**
						HK$
Employees	7-5-2010	7-5-2011	2.670%	66%	5.41%	1.5449
		7-5-2012	2.670%	66%	5.41%	1.6187
Director	14-9-2010	14-9-2011	2.017%	64%	4.94%	1.3137
		14-9-2012	2.017%	64%	4.94%	1.3124
Employee	14-9-2010	14-9-2011	2.017%	64%	4.94%	1.3137
		14-9-2012	2.017%	64%	4.94%	1.3124

(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 weekly price change.

(c) Based on historic pattern, it is assumed that dividend yields are 5.41% and 4.94% during the expected life of the options granted on 7 May 2010 and 14 September 2010 respectively.

(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 year. 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.

Using the Model in assessing the fair value of share options granted during the period, the options would have an aggregate estimated fair value of approximately HK$8,161,042, calculated as follows:

Grantee	Date of grant	Vesting date	Number of share options granted during the period	Estimated fair value of share options granted during the period HK$
Employees	7-5-2010	7-5-2011	1,850,000	2,858,157
		7-5-2012	1,850,000	2,994,613
Director	14-9-2010	14-9-2011	300,000	394,096
		14-9-2012	300,000	393,710
Employee	14-9-2010	14-9-2011	579,000	760,605
		14-9-2012	579,000	759,861
TOTAL			5,458,000	8,161,042

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 offer for the grant of the option (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), 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.

(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 2 November 2007, i.e., 60,000,000 shares (the "**Scheme Limit**"). The Scheme Limit represents 9.42% of the issued share capital of the Company as at the date of this report.

(6) Maximum entitlement of each Eligible Person

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

(7) Period of the Share Option Scheme

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

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of sales and purchases for the year ended 31 December 2010 attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	7.3%
– five largest customers combined	25.7%
Purchases	
– the largest supplier	6.5%
– five largest suppliers combined	21.7%

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 noted above.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out on pages 31 to 37 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 HK$17,000.

AUDIT COMMITTEE

In compliance with rule 3.21 of the Listing Rules the Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The members of the audit committee are Mr. Ma Chun Fung Horace, Mr. Sun Kai Lit Cliff, Mr. Hung Kam Hung Allan (who are all independent non-executive Directors) and Mr. Ng Bo Kwong (a non-executive Director). Mr. Ma Chun Fung Horace is the chairman of the audit committee. The annual results for the year have been reviewed by the Audit Committee on 29 March 2011.

AUDITOR

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

On behalf of the Board
CHING Chi Fai
Chairman
Hong Kong, 29 March 2011

Corporate Governance Report

THE CODE ON CORPORATE GOVERNANCE PRACTICES

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.

The Group has complied with the applicable code provisions set out in the Code of Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2010, 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 annual 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

The Board currently comprises the following ten Directors:

Executive Directors

Mr. CHING Chi Fai *(Chairman)*
Mr. CHING Chi Keung
Mr. LIU Zigang
Mr. LEE King Hay
Ms. CHAN Yim Ching
Mr. LEUNG Ping Shing *(appointed as non-executive Director on 14 May 2010 and re-designated as executive Director on 28 December 2010)*

Non-executive Director

Mr. NG Bo Kwong

Independent non-executive Directors

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

All six executive Directors are responsible for dealing with the business of the Group in accordance with all applicable rules and regulations, including, but not limited to, the Listing Rules. 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 supervises the management of the business and affairs of the Group, including convening Shareholders' meetings and reporting their work in the 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. In discharging its responsibilities, the Board meets regularly and acts in good faith, with due diligence and care.

The composition of the Board and their respective attendance in the regular full Board meetings, the Audit Committee, the Remuneration Committee and the Nomination Committee meetings during the year ended 31 December 2010 are as follows:–

		No. of meetings attended/held			
		Regular Full Board Meeting	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**
Executive Directors					
Mr. CHING Chi Fai *(Chairman)*		4/4	1/2	2/2	1/1
Mr. CHING Chi Keung		4/4	1/2	1/2	–
Mr. LIU Zigang		4/4	1/2	–	–
Mr. LEE King Hay		4/4	1/2	–	–
Ms. CHAN Yim Ching		4/4	1/2	–	–
Mr. LEUNG Ping Shing	*(appointed as non-executive Director on 14 May 2010 and re-designated as executive Director on 28 December 2010)*	2/2	–	–	–
Non-executive Director					
Mr. NG Bo Kwong		4/4	2/2	2/2	–
Independent non-executive Directors					
Mr. SUN Kai Lit Cliff		4/4	2/2	1/2	1/1
Mr. HUNG Kam Hung Allan		4/4	2/2	2/2	–
Mr. MA Chun Fung Horace		4/4	2/2	2/2	1/1

The number of independent non-executive Directors has met the requirements under the Listing Rules and Mr. MA Chun Fung Horace has the 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.

Under their respective appointment letters, all the current non-executive Directors and independent non-executive Directors are appointed for a period of one year from 21 September 2010 unless terminated in accordance with the terms of the appointment letters. Their appointments may be terminated either by the Company by giving written notice to terminate such appointment with immediate effect or by a Director by giving 1 month's written notice to the Company. All the current non-executive Directors and independent non-executive Directors are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Articles of Association of the Company.

Mr. Ching Chi Keung, an executive Director, is the brother of Mr. Ching Chi Fai, the chairman and an executive Director of the Company.

During the year ended 31 December 2010, 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 2010.

COMMITTEES OF THE BOARD

The Board has established the following committees:

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

AUDIT COMMITTEE

The members of the audit committee are Mr. MA Chun Fung Horace, Mr. SUN Kai Lit Cliff, Mr. HUNG Kam Hung Allan (all are independent non-executive Directors) and Mr. NG Bo Kwong (a non-executive Director). 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 auditor's independence and objectivity;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services;
- to monitor integrity of the interim and annual financial statements;
- to review financial controls, internal control and risk management systems;
- to review significant financial reporting judgments, in particular, to focus on any changes in accounting policies and practices;
- to ensure that management has discharged its duty to have an effective internal control system and to consider any findings of major investigations of internal control matters; and
- to review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response.

During the year ended 31 December 2010 to the date of this report, the Audit Committee discharged its responsibilities by:

- reviewing the interim and annual results of the Group, and the relevant statements and reports prior to the approval of the Board 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 auditor, 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.

REMUNERATION COMMITTEE

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

The primary duties of the Remuneration Committee are:

- to make recommendation to the Board on the Group's policy and structure for all Directors and senior management; and

- to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management.

During the year, the Remuneration Committee has considered and reviewed (i) the existing terms of remunerations of all the Directors and the senior management; and (ii) 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. It considered that the existing terms of remunerations of the Directors and the senior management were fair and reasonable.

EXECUTIVE COMMITTEE

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

Other than the matters reserved for the Board, 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.

Three meetings were held by the Executive Committee during the year ended 31 December 2010.

INVESTMENT COMMITTEE

The current 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 capitalisation of the Company in aggregate, whichever is lower. Each investment shall not exceed 10% of the aforesaid aggregate amount.

One meeting was held by the Investment Committee on 16 December 2010.

NOMINATION COMMITTEE

The current 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 2010 included:

- to review the structure, size and composition of the Board;
- to assess the independence of the independent non-executive Directors; and
- to recommend the re-designation of Mr. LEUNG Ping Shing as an executive Director and appointment of Mr. Leung as a member of Executive Committee.

One meeting was held by the Nomination Committee during the year ended 31 December 2010.

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 2010, the Board has conducted a review of the effectiveness of the system of internal control and is satisfied with the scope of review and effectiveness of the system.

MANAGEMENT FUNCTION

The management team of the Company meets together regularly to review and discuss with the executive Directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given high priority by the Group. Extensive information about the Group's activities is provided in the Annual Report and Financial Statements 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.

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 2010, 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 auditors 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 38 to 39 of this annual report.

AUDITOR'S REMUNERATION

The external auditor of the Company is PricewaterhouseCoopers. For the year ended 31 December 2010, the fees payable by the Company to the external auditor are listed as below:

- HK$3,220,000 for the performance of audit services;
- HK$1,451,000 for the performance of non-audit services, mainly in relation to financial due diligence work, tax and related advice work on acquisition of All Team Group; and
- HK$92,000 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 auditor, 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.

On behalf of the Board
CHING Chi Fai
Chairman
Hong Kong, 29 March 2011

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 40 to 115, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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, 29 March 2011

Consolidated Balance Sheet

As At 31 December 2010

	Note	2010 HK$'000	(Restated) Note 2(b) 2009 HK$'000	(Restated) Note 2(b) 2008 HK$'000
ASSETS				
Non-current assets				
Goodwill	9(a)	**328,713**	–	–
Land use rights	6	**25,966**	12,863	11,855
Property, plant and equipment	7	**281,276**	207,960	138,240
Investment properties	8	**104,423**	82,640	–
Intangible assets	9(b)	**18,214**	583	523
Long-term prepayments	14	**27,560**	–	–
Investment in an associated company	10(a)	**561**	396	278
Deferred income tax assets	11	**2,981**	4,040	6,214
Total non-current assets		**789,694**	308,482	157,110
Current assets				
Inventories	12	**148,192**	78,520	84,795
Trade and bills receivables	13	**247,884**	188,189	181,602
Amount due from an associated company	10(b)	**764**	1,292	1,037
Prepaid tax		**5,864**	1,806	6,666
Deposits, prepayments and other receivables	14	**70,474**	28,653	31,360
Restricted cash	15	**2,544**	–	65,888
Cash and cash equivalents	16	**158,846**	455,015	482,704
Total current assets		**634,568**	753,475	854,052
Total assets		**1,424,262**	1,061,957	1,011,162
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	20	**6,371**	6,000	6,000
Share premium	20	**495,591**	408,242	408,242
Other reserves	18(a)	**447,906**	349,449	296,292
Proposed final dividend	18(a),33	**28,671**	30,000	50,400
		978,539	793,691	760,934
Non-controlling interests		**(4,182)**	2,044	–
Total equity		**974,357**	795,735	760,934

The notes on pages 46 to 115 are an integral part of these consolidated financial statements.

	Note	2010 HK$'000	(Restated) *Note 2(b)* 2009 HK$'000	(Restated) *Note 2(b)* 2008 HK$'000
LIABILITIES				
Non-current liabilities				
Long-term bank borrowings	*21*	**51,497**	57,677	–
Long-term payables	*36*	**10,471**	–	–
Deferred income tax liabilities	*11*	**11,053**	242	343
Total non-current liabilities		**73,021**	57,919	343
Current liabilities				
Current portion of long-term bank borrowings	*21*	**6,207**	6,207	–
Short-term bank borrowings	*21*	**11,719**	–	63,460
Trade payables	*22*	**149,640**	89,785	82,968
Accruals and other payables	*23*	**178,007**	97,960	95,667
Current income tax liabilities		**25,971**	13,690	7,022
Loans from non-controlling interests	*24*	**4,682**	661	495
Dividends payable		**658**	–	–
Derivative financial instruments		**–**	–	273
Total current liabilities		**376,884**	208,303	249,885
Total liabilities		**449,905**	266,222	250,228
Total equity and liabilities		**1,424,262**	1,061,957	1,011,162
Net current assets		**257,684**	545,172	604,167
Total assets less current liabilities		**1,047,378**	853,654	761,277

The financial statements on page 40 to 45 were approved by the Board of Directors on 29 March 2011 and were signed on its behalf.

CHING Chi Fai
Director

CHAN Yim Ching
Director

The notes on pages 46 to 115 are an integral part of these consolidated financial statements.

Balance Sheet

As At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000	2008 HK$'000
ASSETS				
Non-current asset				
Investment in a subsidiary	*17(a)*	**228,647**	231,380	228,647
Total non-current asset		**228,647**	231,380	228,647
Current assets				
Deposits, prepayments and other receivables	*14*	**537**	148	1,163
Amounts due from subsidiaries	*17(b)*	**447,827**	104,051	–
Cash and cash equivalents	*16*	**76,760**	308,612	417,698
Total current assets		**525,124**	412,811	418,861
Total assets		**753,771**	644,191	647,508
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	*20*	**6,371**	6,000	6,000
Share premium	*20*	**495,591**	408,242	408,242
Other reserves	*18(b)*	**214,864**	199,666	182,565
Proposed final dividend	*18(b),33*	**28,671**	30,000	50,400
Total equity		**745,497**	643,908	647,207
LIABILITIES				
Current liabilities				
Accruals and other payables	*23*	**2,638**	283	301
Dividends payable		**658**	–	–
Amounts due to subsidiaries	*17(b)*	**4,978**	–	–
Total current liabilities		**8,274**	283	301
Total liabilities		**8,274**	283	301
Total equity and liabilities		**753,771**	644,191	647,508
Net current assets		**516,850**	412,528	418,560
Total assets less current liabilities		**745,497**	643,908	647,207

The financial statements on page 40 to 45 were approved by the Board of Directors on 29 March 2011 and were signed on its behalf.

CHING Chi Fai
Director

CHAN Yim Ching
Director

The notes on pages 46 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 HK$'000	(Restated) Note 2(b) 2009 HK$'000
Revenue	5	**1,085,933**	811,336
Cost of sales	25	**(782,562)**	(576,768)
Gross profit		**303,371**	234,568
Distribution costs	25	**(112,998)**	(73,135)
Administrative expenses	25	**(73,722)**	(56,258)
Other income	26	**4,892**	1,480
Operating profit		**121,543**	106,655
Finance income	29	**950**	1,848
Finance costs	29	**(791)**	(505)
Share of profit of an associated company	10(a)	**220**	118
Fair value gains on investment properties	8	**14,000**	11,597
Profit before income tax		**135,922**	119,713
Income tax expenses	30	**(26,178)**	(23,444)
Profit for the year		**109,744**	96,269
Other comprehensive income			
Currency translation differences		**19,322**	315
Total comprehensive income for the year		**129,066**	96,584
Profit/(loss) attributable to:			
Equity holders of the Company		**116,128**	97,982
Non-controlling interests		**(6,384)**	(1,713)
		109,744	96,269
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**135,492**	98,300
Non-controlling interests		**(6,426)**	(1,716)
		129,066	96,584
Earnings per share attributable to equity holders of the Company (Expressed in HK cents)			
– Basic	32(a)	**19.0**	16.3
– Diluted	32(b)	**18.4**	16.3

The notes on pages 46 to 115 are an integral part of these consolidated financial statements.

	Note	2010 HK$'000	2009 HK$'000
Dividends			
Interim dividend paid	33	**22,300**	18,000
Proposed final dividend	33	**28,671**	30,000
		50,971	48,000

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Other reserves** *(Note 18(a))* HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
Balance at 1 January 2009	6,000	408,242	346,692	760,934	–	760,934
Comprehensive income						
Profit/(loss) for the year, as previously reported	–	–	96,069	96,069	(1,713)	94,356
Effect of early adoption of amendments to HKAS 12 *(Note 2(b))*	–	–	1,913	1,913	–	1,913
Profit/(loss) for the year, as restated	–	–	97,982	97,982	(1,713)	96,269
Other comprehensive income						
Currency translation differences	–	–	318	318	(3)	315
Total comprehensive income/(loss)	–	–	98,300	98,300	(1,716)	96,584
Final dividend relating to 2008	–	–	(50,400)	(50,400)	–	(50,400)
Interim dividend relating to 2009	–	–	(18,000)	(18,000)	–	(18,000)
Capital injection from non-controlling interests	–	–	–	–	3,760	3,760
Share-based compensation *(Note 27)*	–	–	2,857	2,857	–	2,857
Balance at 31 December 2009, as restated	6,000	408,242	379,449	793,691	2,044	795,735
Balance at 1 January 2010, as previously reported	6,000	408,242	377,536	791,778	2,044	793,822
Effect of early adoption of amendments to HKAS 12 *(Note 2(b))*	–	–	1,913	1,913	–	1,913
Balance at 1 January 2010, as restated	**6,000**	**408,242**	**379,449**	**793,691**	**2,044**	**795,735**
Comprehensive income						
Profit/(loss) for the year	–	–	116,128	116,128	(6,384)	109,744
Other comprehensive income						
Currency translation differences	–	–	19,364	19,364	(42)	19,322
Total comprehensive income/(loss)	–	–	135,492	135,492	(6,426)	129,066
Final dividend relating to 2009	–	–	(30,000)	(30,000)	–	(30,000)
Interim dividend relating to 2010	–	–	(22,300)	(22,300)	–	(22,300)
Issuance of ordinary shares in relation to a business combination *(Note 36)*	371	87,349	–	87,720	–	87,720
Capital injection from non-controlling interests	–	–	–	–	200	200
Transfer to investment properties	–	–	5,300	5,300	–	5,300
Share-based compensation *(Note 27)*	–	–	8,636	8,636	–	8,636
Balance at 31 December 2010	6,371	495,591	476,577	978,539	(4,182)	974,357

The notes on pages 46 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 HK$'000	(Restated) *Note 2(b)* 2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	*34(a)*	**12,605**	146,549
Interest paid		**(791)**	(4,533)
Income tax paid		**(24,862)**	(9,880)
Net cash (used in)/generated from operating activities		**(13,048)**	132,136
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	*36*	**(157,578)**	–
Purchase of property, plant and equipment ("PPE")	*7*	**(65,267)**	(94,655)
Purchase of land use rights	*6*	**(4,851)**	(1,279)
Purchase of intangible assets	*9*	**(2,005)**	(177)
Purchase of investment properties	*8*	**–**	(71,043)
Proceeds from disposal of PPE	*34(b)*	**331**	158
Interest received		**950**	5,296
Dividend received from an associated company		**55**	–
Net cash used in investing activities		**(228,365)**	(161,700)
Cash flows from financing activities			
(Increase)/decrease in restricted cash	*15*	**(2,544)**	65,888
Proceeds from borrowings	*34(c)*	**11,424**	64,400
Repayments of borrowings	*34(c)*	**(17,604)**	(63,994)
Dividends paid		**(51,642)**	(68,400)
Capital injections from non-controlling interests		**200**	3,760
Proceeds from loans from non-controlling interests	*34(c)*	**3,920**	20
Net cash (used in)/generated from financing activities		**(56,246)**	1,674
Net decrease in cash and cash equivalents		**(297,659)**	(27,890)
Cash and cash equivalents at the beginning of the year		**455,015**	482,704
Exchange gains on cash and cash equivalents		**1,490**	201
Cash and cash equivalents at the end of the year	*16*	**158,846**	455,015

The notes on pages 46 to 115 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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. During the year, the Group acquired All Team Group Limited and its subsidiaries (the "All Team Group"), which are principally engaged in the distribution and retail business of cosmetics and fashion accessories in the People's Republic of China (the "PRC") with the brand "7 Magic" 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 29 March 2011.

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"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and certain financial liabilities (including derivative instruments) at fair value through profit or loss.

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 the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures' are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

The revised standard was applied to the acquisition of the entire equity interest in All Team Group on 31 August 2010. Acquisition-related costs of HK$1,833,000 have been recognised in the consolidated statement of comprehensive income, which previously would have been included in the consideration for the business combination.

HKAS 27 (revised) specifies that total comprehensive income is attributed to the owners of the parent and to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to this revision, non-controlling interests will only share losses up to the non-controlling interests in the subsidiary's equity, except when the non-controlling interests has a binding obligation and is able to make an additional investment to cover the losses.

HKAS 27 (revised) has been applied beginning 1 January 2010 in accordance with the effective date and transitional provisions of the revision.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The effect of the adoption of this revision is as below:

	For the year ended 31 December 2010 HK$'000
Increase in total comprehensive loss attributable to non-controlling interests	5,554
Decrease in non-controlling interests	(5,554)
Increase in basic earnings per share attributable to equity holders of the Company (HK cents)	0.91
Increase in diluted earnings per share attributable to equity holders of the Company (HK cents)	0.88

Amendments to HKAS 17, 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

Amendments to HKAS 17 has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land as finance lease instead of operating lease.

The effect of the adoption of this amendment is as below:

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Decrease in land use rights	**(55,388)**	(55,382)	(3,390)
Increase in property, plant and equipment	**55,388**	55,382	3,390

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

	For the year ended 31 December 2010 HK$'000	For the year ended 31 December 2009 HK$'000
Decrease in amortisation expenses	**(1,514)**	(320)
Increase in depreciation expenses	**1,514**	320

The Group has also early adopted the amendments to HKAS 12, 'Deferred tax: recovery of underlying assets' in the current year. As a result of the amendments, HK(SIC)-Int 21, 'Income taxes – recovery of revalued non-depreciable assets' would no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC)-Int 21, which is accordingly withdrawn. The amendments provide an exception to this measurement principle in respect of investment property measured using the fair value model in accordance with HKAS 40, 'Investment property'. The purpose of the exception is to reflect the entity's expectation of recovery of the investment property in a practical manner that involves little subjectivity. In particular, there is a irrebuttable presumption that investment property measured at fair value is recovered entirely by sale, and therefore, no deferred taxation needed to be recognised from revaluation of the investment properties in Hong Kong.

This change in accounting policy had been applied retrospectively and the comparative financial information had been restated accordingly. Since the Group does not have any investment properties as at 1 January 2009, the adoption of this amendment does not have any impact on the opening balance sheet of the earliest comparative period.

The effect of the adoption of the amendment is as follows:

	For the year ended 31 December 2010 HK$'000	For the year ended 31 December 2009 HK$'000
Decrease in income tax expenses	**(2,310)**	(1,913)
Decrease in deferred income tax liabilities	**(4,223)**	(1,913)
Increase in beginning retained earnings	**1,913**	–
Increase in basic earnings per share attributable to equity holders of the Company (HK cents)	**0.38**	0.32
Increase in diluted earnings per share attributable to equity holders of the Company (HK cents)	**0.37**	0.32

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

HKFRS 1 (revised)	First-time adoption of HKFRS
HKFRS 1 (amendment)	First-time adoption of HKFRS
HKFRS 2 (amendment)	Share-based payment
HKAS 36 (amendment)	Impairment of assets
HKAS 38 (amendment)	Intangible assets
HKAS 39 (amendment)	Financial instruments: recognition and measurement
HK(IFRIC) – Int 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners
HK(IFRIC) – Int 18	Transfer of assets from customers

Improvements to HKFRS published by HKICPA in November 2008:

HKFRS 5 (amendment)	Non-current assets held for sale and discontinued operations

Improvements to HKFRS published by HKICPA in May 2009:

HKAS 1 (amendment)	Presentation of financial statements
HKAS 7 (amendment)	Statement of cash flows
HKAS 18 (amendment)	Revenue
HKAS 39 (amendment)	Financial instruments: recognition and measurement
HKFRS 2 (amendment)	Share-based payment
HKFRS 5 (amendment)	Non-current assets held for sale and discontinued operations
HKFRS 8 (amendment)	Operating segments
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

		Effective for annual periods beginning on or after
HKAS 24 (revised)	Related party disclosures	1 January 2011
HKAS 32 (amendment)	Financial instruments: presentation	1 February 2010
HKFRS 1 (amendment)	First-time adoption of HKFRS	1 July 2010
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) – Int 14 (amendment)	HKAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2011
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010

Improvements to HKFRS published by HKICPA in May 2010:

		Effective for annual periods beginning on or after
HKAS 1 (amendment)	Presentation of financial statements	1 January 2011
HKAS 27 (amendment)	Consolidated and separate financial statements	1 July 2010
HKAS 34 (amendment)	Interim financial reporting	1 January 2011
HKFRS 1 (amendment)	First time adoption of HKFRS	1 January 2011
HKFRS 3 (revised)	Business combinations	1 July 2010
HKFRS 7 (amendment)	Financial instruments: disclosures	1 January 2011
HK(IFRIC) – Int 13 (amendment)	Customer loyalty programmes	1 January 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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 this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

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. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between 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 or significant influence, any retained interest in the entity is remeasured to its fair value, 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.

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

(g) Associated company

Associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associated company is accounted for using the equity method of accounting and is initially recognised at cost.

The Group's share of its associated company's post-acquisition profits or losses 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. The cumulative post-acquisition movements are adjusted against 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 obligations or made payments on behalf of the associated company.

(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 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.

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 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 represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(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. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Intangible assets *(Continued)*

(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. 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 and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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 or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(p) Financial assets – loans and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Trade, bills and other receivables

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.

(s) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

(t) Trade payables

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

(u) Derivatives instruments

Derivative instruments that do not qualify for hedge accounting are classified as financial liabilities at fair value through profit or loss. The derivative instruments are initially recognised and subsequently remeasured at fair value. Changes in the fair value of these derivative instruments are recognised in the consolidated statement of comprehensive income.

(v) 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.

(w) Current and deferred income tax

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Deferred income tax is provided on 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.

(x) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for 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

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)*

(x) 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$1,000 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits *(Continued)*

(v) Termination benefits

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

(y) Provisions

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

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

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

(z) Revenue recognition

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Revenue recognition *(Continued)*

(i) Sales of goods

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

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

(ii) Rental income

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

(iii) Interest income

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

(aa) Operating lease

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

(ab) Share capital

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

(ac) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(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 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 felt 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.

For companies with HK$ as their functional currency

At 31 December 2010, 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$804,000 (2009: HK$676,000), higher or lower, mainly as a result of foreign exchange differences on translation of RMB denominated net payables.

For companies with RMB as their functional currency

At 31 December 2010, if RMB had strengthened/weakened by 5% against the HK$, with all other variables held constant, post-tax profit for the year would have been approximately HK$341,000 (2009: HK$46,000), higher or lower, mainly as a result of foreign exchange differences on translation of HK$ denominated net payables.

At 31 December 2010, 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$3,451,000 (2009: HK$1,081,000), higher or lower, mainly as a result of foreign exchange differences on translation of US$ 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Interest rate risk *(Continued)*

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

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

Based on the simulations performed, the impact on post-tax profit of a 200 basis-point shift would be a maximum increase/decrease of HK$1,096,000 (2009: HK$194,000) for the year ended 31 December 2010.

(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 2010 and 31 December 2009.

	As at 31 December			
	2010		2009	
Counterparty	**Credit limit HK$'000**	**Utilised HK$'000**	Credit limit HK$'000	Utilised HK$'000
A	**16,000**	**15,484**	10,000	9,479
B	**16,000**	**14,592**	12,000	11,768
C	**12,000**	**11,945**	12,000	10,481
D	**18,000**	**11,414**	18,000	11,273
E	**9,000**	**8,656**	9,000	7,517
F	**10,000**	**581**	10,000	9,926

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	
	2010	2009
	HK$'000	HK$'000
Trade and bills receivables		
Customers accepted within the past 12 months	**12,100**	14,116
Customers accepted beyond the past 12 months	**114,621**	98,476
Total	**126,721**	112,592

Bank deposits placed in the licensed banks of Hong Kong are secured by the Hong Kong Deposits Protection Board and Hong Kong Special Administrative Region Government Exchange Fund until the end of 2010.

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

	As at 31 December	
	2010	2009
	HK$'000	HK$'000
Cash and cash equivalents		
Cash at banks and bank deposits		
Listed financial institutions	**151,752**	454,307
Unlisted financial institutions	**6,333**	336
	158,085	454,643
Cash on hand	**761**	372
Total	**158,846**	455,015
Restricted cash		
Listed financial institution	**2,544**	–
Total	**2,544**	–

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 2010, the cash and cash equivalents of the Group approximated to HK$158,846,000 (2009: HK$455,015,000).

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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2010					
Borrowings	18,500	6,781	27,124	19,780	72,185
Trade payables	149,640	–	–	–	149,640
Accruals and other payables	89,093	–	–	–	89,093
Loans from non-controlling interests	4,682	–	–	–	4,682
Dividends payable	658	–	–	–	658
Long-term payables	–	11,483	–	–	11,483
At 31 December 2009					
Borrowings	6,709	6,709	20,128	32,988	66,534
Trade payables	89,785	–	–	–	89,785
Accruals and other payables	44,917	–	–	–	44,917
Loans from non-controlling interests	661	–	–	–	661

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	
		(Restated)
	2010	2009
	HK$'000	HK$'000
Borrowings	**69,423**	63,884
Total equity	**974,357**	795,735
Gearing ratio	**7.1%**	8.0%

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 2010, the Group maintains cash and cash equivalents of approximately HK$158,846,000 (2009: HK$455,015,000) and trade and bills receivables of HK$247,884,000 (2009: HK$188,189,000), 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, restricted cash, trade and bills receivables, deposits and other receivables, trade payables, amounts due from/to subsidiaries, amount due from an associated company, borrowings, dividends payable and loans from non-controlling interests, approximate their fair values due to their short maturities.

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

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(m). The recoverable amounts of cash-generating units have been determined based on the value-in-use calculations. The value-in-use calculation is based on a discounted cash flow analysis. This analysis requires assumption about the growth rate, the gross profit margin and the discount rate. Had a different growth rate, gross profit margin and discount rate been used to determine the value in use, an impairment of goodwill may be required.

Details of the assumptions used in the impairment tests for goodwill 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 valuation of investment properties

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimated. In making its estimates, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers by using the open market value approach, and (ii) other principal assumptions including the receipt of contractual rentals, expected future market rentals and discount rates to determine the fair value of the investment properties. Had the Group used different future market rentals, discount rates and other assumptions, the fair value of the investment properties would be different and thus caused impact to the consolidated statement of comprehensive income.

(iv) Estimated valuation of share-based compensation

The Group operates a share option scheme. The fair value of the options granted during the year (note 19) is determined by using valuation techniques. The Group uses its judgements to select the valuation method and make assumptions for the significant inputs into the valuation model. At each balance sheet date, the Group reviews its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Critical accounting estimates and assumptions *(Continued)*

(v) Estimated valuation of intangible assets

The Group acquired the brandname of "7 Magic" during the year as a result of the acquisition of All Team Group. The discounted cash flow analysis is applied in establishing the fair value of the brandname on the date of acquisition. The valuation requires assumptions about the timing and amount of future net cash flows and the cost of capital. Had a different amount and timing of projected future net cash flows or cost of capital been used to determine the fair value and the amortisation expense associated with the brandname could be materially different.

(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$14,702,000 (2009: HK$15,760,000) as at 31 December 2010. 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. During the year, the Group acquired All Team Group which is principally engaged in the distribution and retail business of cosmetics products and fashion accessories in the PRC with the brand "7 Magic" through franchisees. Subsequent to the acquisition, 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 and share of profit from an associated company.

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			
	North America	Europe	The PRC	Hong Kong	Australia	Other Asia Pacific countries *(Note i)*	Others *(Note ii)*	Sub-total	The PRC	Hong Kong	Sub-total	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2010												
Segment revenue	357,405	144,296	250,740	85,684	36,008	117,057	11,293	1,002,483	81,429	3,433	84,862	1,087,345
Inter-segment revenue	–	–	(1,339)	–	–	–	–	(1,339)	–	(73)	(73)	(1,412)
Revenue from external customers	357,405	144,296	249,401	85,684	36,008	117,057	11,293	1,001,144	81,429	3,360	84,789	1,085,933
Earnings/(loss) before interest, taxes, fair value gains on investment properties, depreciation and amortisation	58,996	13,595	31,741	12,861	2,533	19,742	1,247	140,715	20,764	(9,966)	10,798	151,513
Fair value gains on investment properties	–	–	–	14,000	–	–	–	14,000	–	–	–	14,000
Depreciation	(9,540)	(3,852)	(6,657)	(2,377)	(961)	(3,125)	(301)	(26,813)	(1,030)	(797)	(1,827)	(28,640)
Amortisation	(254)	(103)	(177)	(63)	(26)	(83)	(8)	(714)	(608)	(8)	(616)	(1,330)
Finance income	–	–	204	712	–	16	–	932	18	–	18	950
Finance costs	–	–	–	(563)	–	–	–	(563)	(228)	–	(228)	(791)
Segment profit/(loss) before income tax	49,202	9,640	25,111	24,570	1,546	16,550	938	127,557	18,916	(10,771)	8,145	135,702
Share of profit from an associated company												220
Income tax expenses												(26,178)
Profit for the year												109,744

5 SEGMENT INFORMATION *(Continued)*

Geographical *(Continued)*

	Manufacturing and distribution business of amenity products (Restated)							
	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$'000	Total HK$'000
Year ended 31 December 2009								
Segment revenue	314,478	127,665	169,821	81,025	23,160	91,531	3,656	811,336
Earnings before interest, taxes, fair value gains on investment properties, depreciation and amortisation	59,993	15,173	28,204	11,731	306	16,099	547	132,053
Fair value gains on investment properties	–	–	–	11,597	–	–	–	11,597
Depreciation	(9,687)	(3,932)	(5,231)	(2,496)	(713)	(2,819)	(113)	(24,991)
Amortisation	(158)	(64)	(85)	(41)	(12)	(46)	(1)	(407)
Finance income	–	–	1,028	818	–	2	–	1,848
Finance costs	–	–	(462)	(43)	–	–	–	(505)
Segment profit/(loss) before income tax	50,148	11,177	23,454	21,566	(419)	13,236	433	119,595
Share of profit from an associated company								118
Income tax expenses								(23,444)
Profit for the year								96,269

	Manufacturing and distribution business of amenity products					Distribution and retail business of cosmetics and fashion accessories				
	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	**Inter-segment elimination** HK$'000	**Total** HK$'000
As at 31 December 2010										
Total assets	**549,080**	**459,666**	**1,761**	**20,045**	**1,030,552**	**451,263**	**7,684**	**458,947**	**(65,237)**	**1,424,262**
Include:										
Investment in an associated company	**–**	**561**	**–**	**–**	**561**	**–**	**–**	**–**	**–**	**561**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**79,318**	**8,945**	**–**	**394**	**88,657**	**383,855**	**554**	**384,409**	**–**	**473,066**
Total liabilities	**192,053**	**137,464**	**862**	**1,338**	**331,717**	**168,927**	**14,498**	**183,425**	**(65,237)**	**449,905**

5 SEGMENT INFORMATION *(Continued)*

Geographical *(Continued)*

	Manufacturing and distribution business of amenity products (Restated)				
	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other locations *(Note iii)* HK$'000	Total HK$'000
As at 31 December 2009					
Total assets	320,427	723,610	2,697	15,223	1,061,957
Include:					
Investment in an associated company	–	396	–	–	396
Additions to non-current assets (other than financial instruments and deferred income tax assets)	30,846	136,176	117	15	167,154
Total liabilities	144,230	119,690	1,050	1,252	266,222

	Manufacturing and distribution business of amenity products				
	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other locations *(Note iii)* HK$'000	Total HK$'000
As at 31 December 2008					
Total assets	374,224	623,739	859	12,340	1,011,162
Include:					
Investment in an associated company	–	278	–	–	278
Additions to non-current assets (other than financial instruments and deferred income tax assets)	20,744	3,159	619	376	24,898
Total liabilities	205,718	43,409	508	593	250,228

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.

5 SEGMENT INFORMATION *(Continued)*

Geographical *(Continued)*

Additions to non-current assets comprises additions to goodwill, land use rights, property, plant and equipment, investment properties, intangible assets and long-term prepayments including additions resulting from acquisition through business combination.

The amounts provided to the Board with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of comprehensive income.

6 LAND USE RIGHTS

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

	As at 31 December	
		(Restated)
	2010	2009
	HK$'000	HK$'000
Opening net book amount, as previously reported	**68,245**	15,245
Effect of adoption of amendment to HKAS 17 *(Note 2(b))*	**(55,382)**	(3,390)
Opening net book amount, as restated	**12,863**	11,855
Additions	**4,851**	1,279
Acquisition of subsidiaries *(Note 36)*	**9,301**	–
Revaluation surplus upon transfer to investment properties	**6,558**	–
Transfer to investment properties *(Note 7(a))*	**(8,031)**	–
Amortisation *(Note 25)*	**(476)**	(290)
Exchange differences	**900**	19
Closing net book amount	**25,966**	12,863
In the PRC, held on:		
Leases of between 10 to 50 years	**25,966**	11,392
Leases of over 50 years	**–**	1,471
	25,966	12,863

6 LAND USE RIGHTS *(Continued)*

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

	2010 HK$'000	(Restated) 2009 HK$'000
Cost of sales	**222**	53
Distribution costs	**254**	237
	476	290

As at 31 December 2010, certain land use rights of aggregate carrying value approximating to HK$11,695,000 (2009: HK$2,146,000) were pledged as securities for a revolving loan and banking facilities. For details, please refer to note 21 to the consolidated financial statements.

7 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Computer equipment	Plant and machinery	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009									
Cost, previously reported	–	74,642	50,447	10,708	4,891	7,495	78,006	1,603	227,792
Effect of adoption of amendment to HKAS 17 *(Note 2(b))*	3,556	–	–	–	–	–	–	–	3,556
Cost, as restated	3,556	74,642	50,447	10,708	4,891	7,495	78,006	1,603	231,348
Accumulated depreciation, as previously reported	–	(19,470)	(21,287)	(4,461)	(2,827)	(5,607)	(39,290)	–	(92,942)
Effect of adoption of amendment to HKAS 17 *(Note 2(b))*	(166)	–	–	–	–	–	–	–	(166)
Accumulated depreciation, as restated	(166)	(19,470)	(21,287)	(4,461)	(2,827)	(5,607)	(39,290)	–	(93,108)
Net book amount, as restated	3,390	55,172	29,160	6,247	2,064	1,888	38,716	1,603	138,240
Year ended 31 December 2009									
Opening net book amount, as previously reported	–	55,172	29,160	6,247	2,064	1,888	38,716	1,603	134,850
Effect of adoption of amendment to HKAS 17 *(Note 2(b))*	3,390	–	–	–	–	–	–	–	3,390
Opening net book amount, as restated	3,390	55,172	29,160	6,247	2,064	1,888	38,716	1,603	138,240
Additions	52,312	13,066	1,562	662	534	514	22,021	3,984	94,655
Transfer upon completion	–	–	4,514	–	–	–	271	(4,785)	–
Disposals	–	–	–	(69)	–	–	(171)	–	(240)
Depreciation *(Note 25)*	(320)	(3,898)	(6,151)	(1,945)	(1,022)	(1,257)	(10,398)	–	(24,991)
Exchange differences	–	80	45	24	15	10	121	1	296
Closing net book amount	55,382	64,420	29,130	4,919	1,591	1,155	50,560	803	207,960

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Computer equipment	Plant and machinery	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2009									
Cost, as previously reported	–	87,822	56,610	10,582	5,399	8,007	99,615	803	268,838
Effect of adoption of amendment to HKAS 17 *(Note 2(b))*	55,867	–	–	–	–	–	–	–	55,867
Cost, as restated	55,867	87,822	56,610	10,582	5,399	8,007	99,615	803	324,705
Accumulated depreciation, as previously reported	–	(23,402)	(27,480)	(5,663)	(3,808)	(6,852)	(49,055)	–	(116,260)
Effect of adoption of amendment to HKAS 17 *(Note 2(b))*	(485)	–	–	–	–	–	–	–	(485)
Accumulated depreciation, as restated	(485)	(23,402)	(27,480)	(5,663)	(3,808)	(6,852)	(49,055)	–	(116,745)
Net book amount, as restated	55,382	64,420	29,130	4,919	1,591	1,155	50,560	803	207,960
Year ended 31 December 2010									
Opening net book amount, as restated	55,382	64,420	29,130	4,919	1,591	1,155	50,560	803	207,960
Additions	–	–	6,601	2,894	1,331	2,072	7,582	44,787	65,267
Acquisition of subsidiaries *(Note 36)*	–	23,196	1,800	60	223	224	3,221	–	28,724
Transfer upon completion	–	–	1,199	–	–	–	–	(1,199)	–
Transfer from investment properties *(Note (b))*	1,520	120	–	–	–	–	–	–	1,640
Revaluation surplus upon transfer to investment properties	–	509	–	–	–	–	–	–	509
Transfer to investment properties *(Note (a))*	–	(1,154)	–	–	–	–	–	–	(1,154)
Disposals	–	–	(15)	(203)	–	–	(120)	–	(338)
Depreciation *(Note 25)*	(1,515)	(4,950)	(6,482)	(2,115)	(1,210)	(1,429)	(10,939)	–	(28,640)
Exchange differences	–	2,710	1,127	164	62	71	2,013	1,161	7,308
Closing net book amount	55,387	84,851	33,360	5,719	1,997	2,093	52,317	45,552	281,276
At 31 December 2010									
Cost	57,387	113,917	68,275	13,297	7,262	10,584	113,618	45,552	429,892
Accumulated depreciation	(2,000)	(29,066)	(34,915)	(7,578)	(5,265)	(8,491)	(61,301)	–	(148,616)
Net book amount	55,387	84,851	33,360	5,719	1,997	2,093	52,317	45,552	281,276

Note a: During the year ended 31 December 2010, land use right of HK$8,031,000 and property, plant and equipment of HK$1,154,000 has been reclassified to investment properties as a result of change in usage.

Note b: During the year ended 31 December 2010, investment properties of HK$1,640,000 has been reclassified to property, plant and equipment as a result of change in usage.

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:

	2010 HK$'000	(Restated) 2009 HK$'000
Cost of sales	**16,235**	14,946
Distribution costs	**3,141**	1,913
Administrative expenses	**9,264**	8,132
	28,640	24,991

As at 31 December 2010, certain property, plant and equipment with aggregate carrying value of approximately HK$111,728,000 (2009: HK$89,816,000) were pledged as securities for a mortgage loan, a revolving loan and certain banking facilities drawn by the Group. For details, please refer to note 21 to the consolidated financial statements.

8 INVESTMENT PROPERTIES

	2010 HK$'000	2009 HK$'000
Opening net book value	**82,640**	–
Additions	**–**	71,043
Transfer from property, plant and equipment *(Note 7(a))*	**9,185**	–
Transfer to property, plant and equipment *(Note 7(b))*	**(1,640)**	–
Fair value gains on investment properties	**14,000**	11,597
Exchange differences	**238**	–
At 31 December	**104,423**	82,640

8 INVESTMENT PROPERTIES *(Continued)*

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

	2010 HK$'000	2009 HK$'000
Rental income *(Note 26)*	**3,604**	331
Direct operating expense arising from investment properties that generate rental income *(Note 25)*	**95**	115

(a) The basis of the valuation of investment properties is at fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The revaluations were based on independent assessments made by Vigers Appraisal & Consulting Limited, an independent professional qualified valuer.

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

	2010 HK$'000	2009 HK$'000
In Hong Kong, held on:		
Leases of less than 50 years	**95,000**	82,640
In PRC, held on:		
Leases of over 50 years	**9,423**	–
	104,423	82,640

(c) At 31 December 2010, certain investment properties with an aggregate carrying amount of HK$95,000,000 (2009: HK$82,640,000) were pledged as security for the mortgage loan drawn by the Group (Note 21). There was no such loan arrangement as at 31 December 2008.

(d) At 31 December 2010, 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:

	2010 HK$'000	2009 HK$'000
Within one year	**1,944**	3,453
Later than one year but no later than 5 years	**665**	780
	2,609	4,233

9 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

On 31 August 2010, the Group acquired 100% of the equity interest of All Team Group, which is principally engaged in the distribution and retail business of cosmetics and fashion accessories in China. As a result of the acquisition, goodwill and brandname of HK$318,869,000 and HK$16,000,000 respectively, were recognised in the consolidated financial statements during the year ended 31 December 2010 *(Note 36)*.

	Goodwill HK$'000
Year ended 31 December 2010	
Opening net book amount	–
Acquisition of subsidiaries *(Note 36)*	318,869
Exchange differences	9,844
Closing net book amount	328,713
At 31 December 2010	
Cost and closing net book amount	328,713

Impairment test of goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified. As at 31 December 2010, goodwill of HK$328,713,000 is allocated to All Team Group.

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. 2% growth rate is assumed for cash flows beyond the five-year period.

The key assumptions used for the calculation are as follows:

Gross margin	29.0%
Compound annual growth rate	39.0%
Discount rate	15.7%

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

The management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

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 2009					
Cost	74	968	–	–	1,042
Accumulated amortisation	(27)	(492)	–	–	(519)
Net book amount	47	476	–	–	523
Year ended 31 December 2009					
Opening net book amount	47	476	–	–	523
Additions	177	–	–	–	177
Amortisation *(Note 25)*	(20)	(97)	–	–	(117)
Closing net book amount	204	379	–	–	583
At 31 December 2009					
Cost	251	968	–	–	1,219
Accumulated amortisation	(47)	(589)	–	–	(636)
Net book amount	204	379	–	–	583
Year ended 31 December 2010					
Opening net book amount	**204**	**379**	–	**–**	**583**
Additions	**197**	**–**	–	**1,808**	**2,005**
Acquisition of subsidiaries *(Note 36)*	**–**	**–**	**16,000**	**–**	**16,000**
Amortisation *(Note 25)*	**(40)**	**(97)**	**(536)**	**(181)**	**(854)**
Exchange differences	**–**	**–**	**480**	**–**	**480**
Closing net book amount	**361**	**282**	**15,944**	**1,627**	**18,214**
At 31 December 2010					
Cost	**448**	**968**	**16,494**	**1,808**	**19,718**
Accumulated amortisation	**(87)**	**(686)**	**(550)**	**(181)**	**(1,504)**
Net book amount	**361**	**282**	**15,944**	**1,627**	**18,214**

9 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

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

	2010 HK$'000	2009 HK$'000
Cost of sales	**536**	–
Administrative expenses	**318**	117
	854	117

10 INVESTMENT IN AN ASSOCIATED COMPANY

(a) Investment in an associated company

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Beginning of the year	**396**	278	155
Share of profit for the year	**220**	118	123
Dividends received	**(55)**	–	–
End of the year	**561**	396	278

The Group's interest in its unlisted associated company is as follows:

				31 December 2010				31 December 2009			
Name of company	Particulars of issued shares held	Country of incorporation	% of interest held	Assets MYR	Liabilities MYR	Revenue MYR	Profit MYR	Assets MYR	Liabilities MYR	Revenue MYR	Profit MYR
Quality Amenities Supply (M) Sdn. Bhd.	50,000	Malaysia	50%	**373,000**	**137,000**	**671,000**	**91,000**	505,000	354,000	580,000	54,000

(b) Amount due from an associated company

The amount due from an associated company is denominated in Malaysian ringgit ("MYR"), unsecured, interest free and repayable on demand. The carrying value of this asset approximates its fair value.

The amount due from an associated company is neither past due nor impaired.

11 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 offset amounts are as follows:

	2010 **HK$'000**	(Restated) 2009 HK$'000	2008 HK$'000
Deferred income tax assets			
– Deferred income tax assets to be realised after more than twelve months	**2,981**	4,040	6,214
Deferred income tax liabilities			
– Deferred income tax liabilities to be settled after more than twelve months	**(11,053)**	(242)	(343)
Deferred tax (liabilities)/assets, net	**(8,072)**	3,798	5,871

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

	2010 **HK$'000**	(Restated) 2009 HK$'000
At beginning of the year, as previously reported	**1,885**	5,871
Effect of early adoption of amendments to HKAS 12 *(Note 2(b))*	**1,913**	–
At beginning of the year, as restated	**3,798**	5,871
Recognised in the consolidated statement of comprehensive income *(Note 30)*	**(1,141)**	(2,079)
Recognised in equity as a result of revaluation upon transfer from property, plant and equipment to investment properties *(Note 7(a))*	**(1,767)**	–
Acquisition of subsidiaries *(Note 36)*	**(8,790)**	–
Exchange differences	**(172)**	6
At end of the year	**(8,072)**	3,798

11 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 2009	(538)	–	–	(538)
Recognised in the consolidated statement of comprehensive income, as previously reported	296	(1,913)	–	(1,617)
Effect of early adoption of amendment to HKAS 12 *(Note 2(b))*	–	1,913	–	1,913
Recognised in the consolidated statement of comprehensive income, as restated	296	–	–	296
At 31 December 2009, as restated	(242)	–	–	(242)
Acquisition of subsidiaries *(Note 36)*	–	–	(8,790)	(8,790)
Recognised in the consolidated statement of comprehensive income	(159)	–	216	57
Recognised in equity as a result of revaluation of property, plant and equipment before transfer to investment properties *(Note 7(a))*	–	(1,767)	–	(1,767)
Exchange differences	–	(45)	(266)	(311)
At 31 December 2010	(401)	(1,812)	(8,840)	(11,053)

Deferred income tax assets

	Decelerated tax depreciation HK$'000	Provision of assets HK$'000	Total HK$'000
At 1 January 2009	3,702	2,707	6,409
Recognised in the consolidated statement of comprehensive income	332	–	332
Write off of deferred tax assets brought forward	–	(2,707)	(2,707)
Exchange differences	6	–	6
At 31 December 2009	4,040	–	4,040
Recognised in the consolidated statement of comprehensive income	(1,198)	–	(1,198)
Exchange differences	139	–	139
At 31 December 2010	2,981	–	2,981

Deferred income tax liabilities of HK$8,549,000 as at 31 December 2010 (2009: HK$3,800,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of a subsidiary. Unremitted earnings totaled HK$170,988,000 at 31 December 2010 (2009: HK$75,992,000), and the Group does not intend to remit these unremitted earnings from the relevant subsidiary to the Company in the foreseeable future.

12 INVENTORIES

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Raw materials	**51,366**	33,568	38,458
Work in progress	**5,453**	1,546	1,950
Finished goods	**95,435**	51,138	49,495
	152,254	86,252	89,903
Less: Provision for obsolete inventories	**(4,062)**	(7,732)	(5,108)
Inventories, net	**148,192**	78,520	84,795

The cost of inventories included in cost of sales during the year amounted to approximately HK$592,330,000 (2009: HK$418,907,000).

The gross amount of inventories carried at net realisable value amounted to approximately HK$4,062,000 (2009: HK$7,732,000; 2008: HK$5,108,000) as at 31 December 2010. Full provision has been made with regard to these balances.

13 TRADE AND BILLS RECEIVABLES

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Trade receivables	**248,328**	182,912	180,778
Bills receivables	**6,309**	9,394	6,508
Receivable from a non-controlling interest	**136**	476	521
	254,773	192,782	187,807
Less: provision for impairment of receivables	**(6,889)**	(4,593)	(6,205)
Trade and bills receivables, net	**247,884**	188,189	181,602

13 TRADE AND BILLS RECEIVABLES *(Continued)*

Ageing analysis of trade and bills receivables as at 31 December 2010 is as follows:

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Current	**126,721**	112,592	99,379
1 – 30 days	**51,929**	42,860	43,570
31 – 60 days	**28,013**	15,400	18,745
61 – 90 days	**15,380**	11,463	9,305
91 – 180 days	**22,607**	5,438	9,699
Over 180 days	**10,123**	5,029	7,109
	254,773	192,782	187,807

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

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Denominated in:			
– US$	**101,153**	91,152	98,728
– RMB	**120,249**	64,873	55,837
– HK$	**22,428**	21,563	24,144
– Other currencies	**10,943**	15,194	9,098
	254,773	192,782	187,807

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

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Trade and bills receivables	**247,884**	188,189	181,602

13 TRADE AND BILLS RECEIVABLES *(Continued)*

As at 31 December 2010, trade and bills receivables of approximately HK$6,889,000 (2009: HK$4,593,000; 2008: HK$6,205,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales made to the PRC customers which have remained long overdue.

As at 31 December 2010, trade and bills receivables of approximately HK$121,163,000 (2009: HK$75,597,000; 2008: HK$82,223,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Up to 90 days	**95,322**	69,723	71,498
91 to 180 days	**22,607**	5,438	9,594
Over 180 days	**3,234**	436	1,131
	121,163	75,597	82,223

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

	2010 HK$'000	2009 HK$'000
At beginning of the year	**4,593**	6,205
Add: provision for/(write back of) impairment of trade and bills receivables	**2,296**	(1,612)
At end of the year	**6,889**	4,593

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.

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group			Company		
	2010	2009	2008	**2010**	2009	2008
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Current:						
Deposits	**4,717**	3,258	294	**–**	–	–
Prepayments	**39,486**	14,065	19,361	**537**	145	174
Other receivables	**26,271**	11,330	11,705	**–**	3	989
	70,474	28,653	31,360	**537**	148	1,163
Non-current:						
Long-term prepayments	**27,560**	–	–	**–**	–	–
	98,034	28,653	31,360	**537**	148	1,163

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

	Group			Company		
	2010	2009	2008	**2010**	2009	2008
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Deposits	**4,717**	3,258	294	**–**	–	–
Other receivables	**26,271**	11,330	11,705	**–**	3	989
	30,988	14,588	11,999	**–**	3	989
Denominated in:						
– HK$	**1,804**	2,520	989	**–**	3	989
– RMB	**28,862**	11,475	10,705	**–**	–	–
– Other currencies	**322**	593	305	**–**	–	–
	30,988	14,588	11,999	**–**	3	989

As at 31 December 2010, prepayments of HK$10,000,000 were made on incentives to acquire franchisees of the brandname "7 Magic".

The amount is capitalised as long-term prepayments and is amortised over the contractual franchise period, which is generally 36 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

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Restricted cash	**2,544**	–	65,888
Denominated in:			
– RMB	**2,544**	–	65,753
– Singapore dollar ("SGD")	**–**	–	135
	2,544	–	65,888

As at 31 December 2010, a mandatory deposit of RMB2,149,000 (approximately HK$2,544,000) was placed with a commercial bank in the PRC in relation to the construction of a laundry plant in Changshu city, Jiangsu province, the PRC. Under the rules promulgated by the local government, a mandatory deposit of approximately 5% of the total construction costs is required to be placed with the local banks as restricted deposit, which would be released upon completion of the construction project.

RMB denominated balances as at 31 December 2008 represent fixed terms deposits placed in a commercial bank in the PRC by one of the subsidiaries of the Group, as pledged against the US$ denominated loans drawn from the bank. Please refer to note 21 to the consolidated financial statements for further details of the arrangement. The weighted average effective interest rate per annum on restricted cash was 4.14% as at 31 December 2008.

16 CASH AND CASH EQUIVALENTS

	Group			Company		
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Cash at banks and on hand	**87,108**	278,546	99,361	**6,546**	133,529	35,708
Bank deposit	**71,738**	176,469	383,343	**70,214**	175,083	381,990
	158,846	455,015	482,704	**76,760**	308,612	417,698
Denominated in:						
– HK$	**83,203**	338,139	433,693	**76,758**	308,612	417,698
– RMB	**40,072**	20,887	18,519	**–**	–	–
– US$	**17,400**	81,644	20,188	**2**	–	–
– Other currencies	**18,171**	14,345	10,304	**–**	–	–
	158,846	455,015	482,704	**76,760**	308,612	417,698

The effective interest rate on short-term bank deposit was 0.23% (2009: 0.04%; 2008: 2.03%) per annum as at 31 December 2010, the deposit has an average maturity of 12 days (2009: 17 days; 2008: 37 days).

16 CASH AND CASH EQUIVALENTS *(Continued)*

The Group's cash and bank balances of HK$29,719,000 (2009: HK$29,683,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	Group		
	2010 HK$'000	2009 HK$'000	2008 HK$'000
Cash at bank balance	**158,846**	455,015	482,704

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

(a) Investment in a subsidiary

	Company		
	2010 HK$'000	2009 HK$'000	2008 HK$'000
Investment, at cost	**228,647**	231,380	228,647

As at 31 December 2010, 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-in capital	Attributable equity Direct	Attributable equity Indirect
Ming Fai Holdings Limited	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	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$10,000,000	–	100%
Ming Fai Enterprise International Company Limited	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%

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-in capital	Attributable equity Direct	Attributable equity Indirect
Quality Amenities Supply Pte. Limited	Singapore, limited liability company	Trading of amenity products and accessories; Singapore	SG$100,000	–	100%
Luoding Quality Amenities Company Limited (羅定市品質旅遊用品有限公司)	The PRC, limited liability company	Manufacturing and sales of amenity products and accessories; the PRC	US$2,000,000	–	100%
MF Roommaster Australia Pty Limited	Australia, limited liability company	Trading of amenity products and accessories; Australia	AUD10,000	–	51%
卓譽佳(四川)商貿有限公司	The PRC, limited liability company	Trading of amenity products and accessories; the PRC	HK$1,000,000	–	100%
Cinese Textile Limited (梧州市金富盈酒店紡織用品有限公司)	The PRC, limited liability company	Manufacturing and sales of amenity products and accessories; the PRC	RMB5,000,000	–	51%
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$1,500,000	–	100%
Prosperity International Creation Limited (恒昌國際創建有限公司)	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%
Maytex International Limited (美華國際有限公司)	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$1,000,000	–	80%
Mass Hong Kong Development Limited (寶昇香港發展有限公司)	Hong Kong, limited liability company	Manufacturing and sales of cosmetics products; Hong Kong	HK$100,000	–	100%
All Team Group Limited (奧天集團有限公司)	British Virgin Islands, limited liability company	Investment holding; Hong Kong	US$100	–	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%
Parel (Guangzhou) Cosmetics Limited (廣州蓓柔化粧品有限公司)	The PRC, limited liability company	Manufacturing and sales of cosmetic products; the PRC	RMB4,500,000	–	100%

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

(b) Amounts due from/to subsidiaries

At 31 December 2010, except for an amount of approximately HK$57,562,000 (2009: HK$72,500,000) due from a subsidiary, which currently bears interest at 5% per annum, and unsecured and repayable on demand, the remaining balances were unsecured, interest free and repayable on demand. The carrying values of these balances denominated in HK$ 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 reserves (Note 19) HK$'000	Exchange reserves HK$'000	Retained earnings (Restated) (Note 2(b)) HK$'000	Total (Restated) (Note 2(b)) HK$'000
Balance at 1 January 2009	61,510	6,569	–	11,923	266,690	346,692
Comprehensive income						
Profit for the year, as previously reported	–	–	–	–	96,069	96,069
Effect of early adoption of amendments to HKAS 12 *(Note 2(b))*	–	–	–	–	1,913	1,913
Profit for the year, as restated	–	–	–	–	97,982	97,982
Other comprehensive income						
Currency translation differences	–	–	–	318	–	318
Total comprehensive income	–	–	–	318	97,982	98,300
Final dividend relating to 2008	–	–	–	–	(50,400)	(50,400)
Interim dividend relating to 2009	–	–	–	–	(18,000)	(18,000)
Profit appropriation to statutory reserves	–	3,024	–	–	(3,024)	–
Share-based compensation *(Note 27)*	–	–	2,857	–	–	2,857
Balance at 31 December 2009, as restated	61,510	9,593	2,857	12,241	293,248	379,449

18 RESERVES *(Continued)*

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

	Merger reserve *(Note (i))* HK$'000	Statutory reserve fund *(Note (ii))* HK$'000	Share-based compen-sation reserves *(Note 19)* HK$'000	Other reserves HK$'000	Exchange reserves HK$'000	Retained earnings (Restated) *(Note 2(b))* HK$'000	Total (Restated) *(Note 2(b))* HK$'000
Balance at 1 January 2010, as previously reported	**61,510**	**9,593**	**2,857**	**–**	**12,241**	**291,335**	**377,536**
Effect of adoption of amendments to HKAS 12 *(Note 2(b))*	–	–	–	–	–	1,913	1,913
Balance at 1 January 2010, as restated	61,510	9,593	2,857	–	12,241	293,248	379,449
Comprehensive income							
Profit for the year	–	–	–	–	–	116,128	116,128
Other comprehensive income							
Currency translation differences	–	–	–	–	19,364	–	19,364
Total comprehensive income	–	–	–	–	19,364	116,128	135,492
Final dividend relating in 2009	–	–	–	–	–	(30,000)	(30,000)
Interim dividend relating in 2010	–	–	–	–	–	(22,300)	(22,300)
Profit appropriation to statutory reserves	–	2,294	–	–	–	(2,294)	–
Transfer to investment properties	–	–	–	5,300	–	–	5,300
Share-based compensation *(Note 27)*	–	–	8,636	–	–	–	8,636
Balance at 31 December 2010	61,510	11,887	11,493	5,300	31,605	354,782	476,577
Representing:							
Reserves							447,906
Proposed final dividend *(Note 33)*							28,671
							476,577

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 the consolidation of the financial information of the consolidating 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

	Share-based compensation reserves HK$'000	Merger reserve *(Note (i))* HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2009	–	224,147	8,818	232,965
Comprehensive income				
Profit for the year	–	–	62,244	62,244
Total comprehensive income	–	–	62,244	62,244
Final dividends relating to 2008	–	–	(50,400)	(50,400)
Interim dividends relating to 2009	–	–	(18,000)	(18,000)
Share-based compensation	2,857	–	–	2,857
Balance at 31 December 2009	2,857	224,147	2,662	229,666
Balance at 1 January 2010	2,857	224,147	2,662	229,666
Comprehensive income				
Profit for the year	–	–	57,533	57,533
Total comprehensive income	–	–	57,533	57,533
Final dividends relating to 2009	–	–	(30,000)	(30,000)
Interim dividends relating to 2010	–	–	(22,300)	(22,300)
Share-based compensation	8,636	–	–	8,636
Balance at 31 December 2010	11,493	224,147	7,895	243,535
Representing:				
Reserves				214,864
Proposed final dividend *(Note 33)*				28,671
Balance at 31 December 2010				243,535

19 SHARE-BASED PAYMENT

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 under the paragraph "Share Option Scheme" in the Directors' Report and 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 exercisable after two years from date of grant and the remaining of 50% of the options are only exercisable after four years from the date of grant. The options will lapse on 23 June 2019. 600,000 and 1,158,000 share options were forfeited during the year ended 31 December 2010 and 2009, respectively.

On 7 May 2010, a total of 3,700,000 share options were granted to a certain employees of the Group. 50% of the options are exercisable after one year from date of grant and the remaining of 50% of the options are only exercisable after two years from date of grant. The options will lapse on 7 May 2020. No share options were cancelled or lapsed during the year ended 31 December 2010.

On 14 September 2010, a total of 1,758,000 share options were granted to a director and an employee. 50% of the options are exercisable after one year from date of grant and the remaining of 50% of the options are only exercisable after two years from date of grant. The options will lapse on 14 September 2020. No share options were cancelled or lapsed during the year ended 31 December 2010.

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

	2010		2009	
	Average exercise price in HK$ per share	**No. of share options (thousands)**	Average exercise price in HK$ per share	No. of share options (thousands)
At 1 January	**1.12**	**30,842**	–	–
Granted	**3.42**	**5,458**	1.12	32,000
Forfeited	**1.12**	**(600)**	1.12	(1,158)
Exercised	**–**	**–**	–	–
Expired	**–**	**–**	–	–
At 31 December	**1.47**	**35,700**	1.12	30,842

19 SHARE-BASED PAYMENT *(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	No. of share options (thousands) 2010	2009
23 June 2019	1.12	**30,242**	30,842
7 May 2020	3.72	**3,700**	–
14 September 2020	2.80	**1,758**	–
		35,700	30,842

No options are exercisable as at 31 December 2010 (2009: same).

The fair values of the share options granted are determined using the binominal model (the "Model"), with significant inputs as follows:

	Options granted on 14 September 2010	7 May 2010	23 June 2009
Exercise price	HK$2.80 per share	HK$3.72 per share	HK$1.12 per share
Fair value of the options	HK$1.3124 to HK$1.3137 per option	HK$1.5449 to HK$1.6187 per option	HK$0.4085 to HK$0.4801 per option
Closing price of the share at the date of grant	HK$2.70 per share	HK$3.72 per share	HK$1.11 per share
Risk free interest rate	2.017%	2.67%	2.87%
Volatility	64%	66%	64%
Expected dividend yield rate	4.94%	5.41%	6.51%

The volatility measured is based on the historical volatility of the Company prior to the issuance of options. The expected volatility used in the calculation is based on the weekly price change.

20 SHARE CAPITAL AND SHARE PREMIUM

	2010		2009	
	No. of shares	HK$'000	No. of shares	HK$'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	**600,000,000**	**6,000**	600,000,000	6,000
Issue of share in relation to a business combination *(Note 36)*	**37,130,293**	**371**	–	–
At 31 December	**637,130,293**	**6,371**	600,000,000	6,000

	Share capital	**Share premium**	**Total**
	HK$'000	HK$'000	HK$'000
Balance at 1 January 2009, 31 December 2009 and 1 January 2010	6,000	408,242	414,242
Issuance of ordinary share in relation to a business combination *(Note 36)*	371	87,349	87,720
Balance at 31 December 2010	6,371	495,591	501,962

During the year, 37,130,293 shares were issued for the acquisition of All Group totaling an approximate of HK$92,826,000. 50% of the shares are restricted from trading until the earlier of 30 April 2012 or the issue of audited financial statements of All Team Group for the year ended 31 December 2011 ("the lock-up feature"). The excess of the issue price over the par value of the shares, net of the fair value of the lock-up feature, which amounts to approximately HK$87,349,000 was credited to the share premium account.

21 BORROWINGS

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Non-current:			
Long-term bank borrowings	**51,497**	57,677	–
Current:			
Short-term bank borrowings	**11,719**	–	63,460
Current portion of long-term bank borrowings	**6,207**	6,207	–
	69,423	63,884	63,460
Representing:			
Secured	**69,423**	63,884	63,460

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

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Non-current:			
– HK$ *(Note a)*	**51,497**	57,677	–
Representing:			
Later than one year and no later than five years	**25,484**	25,358	–
Over five years	**26,013**	32,319	–
	51,497	57,677	–

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Current:			
– HK$ *(Note a)*	**6,207**	6,207	–
– RMB *(Note b)*	**11,719**	–	–
– US$ *(Note c)*	**–**	–	63,460

The weighted average effective interest rate per annum of the Group's borrowings at 31 December 2010, 2009 and 2008 are set out as follows:

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Total borrowings:			
– HK$	**0.93%**	0.81%	–
– RMB	**6.11%**	–	–
– US$	**–**	–	6.22%

21 BORROWINGS *(Continued)*

Note a

In November 2009, the Group has obtained a HK$ denominated mortgage loan, which bears 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 property, plant and equipment and investment properties in the consolidated financial statements of the Group, with net carrying values of HK$63,128,000 and HK$95,000,000, respectively, as at 31 December 2010 (2009: HK$63,591,000 and HK$82,640,000, respectively). There were no such loan arrangement as at 31 December 2008.

Note b

As part of the acquisition of All Team Group, there was a RMB denominated revolving loan acquired, which bears interest at the three months lending rate of The People's Bank of China times 1.15 for working capital. A property was pledged against the revolving loan and was included in land use rights and property, plant and equipment in the consolidated financial statements of the Group, with net carrying values of HK$9,514,000 & HK$23,325,000, respectively, as at 31 December 2010. There were no such loan arrangement as at 31 December 2009.

Note c

A subsidiary of the Group has entered into arrangements with a bank in the PRC. Under these arrangements, borrowings denominated in US$ with maturities of 12 months were drawn. Simultaneously, RMB equivalent amounts in the forms of fixed term deposits and having the same maturities with the US$ loans, were placed with that bank. These RMB deposits were used to pledge against the loans. The RMB deposits would be converted to US$ at forward exchange rates specified in the arrangements upon maturities for repayment of the US$ loans. Forward contracts of approximately HK$273,000 are recognised as derivative financial instruments, which are initially recognised and subsequently remeasured at their fair values. Changes in fair of All Team Group of the forward contracts are recognised in the consolidated income statement.

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 borrowing facilities:

	2010 **HK$'000**	2009 HK$'000	2008 HK$'000
Floating rate			
– Expiring within one year	**41,431**	39,765	–

The banking facilities were secured by land use rights and property, plant and equipment of net carrying value approximate to HK$2,181,000 (2009: HK$2,146,000) and HK$25,275,000 (2009: HK$26,225,000) respectively.

22 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Current	**85,061**	55,474	51,372
1 – 30 days	**46,310**	27,194	25,035
31 – 60 days	**9,693**	2,789	2,828
61 – 90 days	**3,864**	2,349	379
Over 90 days	**4,712**	1,979	3,354
	149,640	89,785	82,968
Denominated in:			
– HK$	**18,771**	13,792	12,956
– RMB	**122,561**	69,921	60,421
– US$	**7,983**	5,301	9,008
– Other currencies	**325**	771	583
	149,640	89,785	82,968

23 ACCRUALS AND OTHER PAYABLES

	Group			Company		
	2010 HK$'000	2009 HK$'000	2008 HK$'000	**2010 HK$'000**	2009 HK$'000	2008 HK$'000
Advance from customers	**21,909**	3,956	2,170	**–**	–	–
Other payables	**67,551**	44,332	44,970	**–**	–	–
Accruals	**88,547**	49,672	48,527	**2,638**	283	301
	178,007	97,960	95,667	**2,638**	283	301

The carrying values of these balances approximates their fair values.

24 LOANS FROM NON-CONTROLLING INTERESTS

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

The balances are denominated as follows:

	2010 HK$'000	2009 HK$'000	2008 HK$'000
HK$	**3,940**	20	–
Australian dollar ("AUD")	**742**	641	495
	4,682	661	495

25 EXPENSES BY NATURE

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

	2010 HK$'000	(Restated) 2009 HK$'000
Changes in inventories *(Note 12)*	**592,330**	418,907
Auditor's remuneration	**3,220**	1,880
Amortisation of land use rights *(Note 6)*	**476**	290
Depreciation of property, plant and equipment *(Note 7)*	**28,640**	24,991
Amortisation of intangible assets *(Note 9)*	**854**	117
Operating lease rental in respect of buildings	**13,772**	3,607
(Write-back of)/provision for obsolete inventories *(Note 12)*	**(3,670)**	2,624
Provision for/(write-back of) impairment of trade and bills receivables *(Note 13)*	**2,296**	(1,612)
Employee benefit expenses *(Note 27)*	**181,101**	135,937
Transportation expenses	**45,806**	34,033
Exchange (gains)/losses	**(3,648)**	502
Advertising costs	**6,701**	3,312
Loss on disposal of property, plant and equipment	**7**	82
Direct operating expenses arising from investment properties that generate rental income *(Note 8)*	**95**	115
Utilities	**22,723**	15,681

26 OTHER INCOME

	2010 HK$'000	2009 HK$'000
Income from sales of scrap materials	**939**	876
Changes in fair value of financial instruments	**–**	273
Rental income *(Note 8)*	**3,604**	331
Others	**349**	–
	4,892	1,480

27 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 HK$'000	2009 HK$'000
Salaries, wages and bonuses	**162,438**	125,482
Pension costs – defined contribution plans	**821**	482
Welfare and other expenses	**9,206**	7,116
Share-based compensation	**8,636**	2,857
	181,101	135,937

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:

	2010 HK$'000	2009 HK$'000
Fees	**1,281**	1,290
Basic salaries, housing allowances, other allowances and benefits-in-kind	**5,839**	6,451
Share-based compensation	**3,570**	1,840
Contributions to pension plans	**69**	78
	10,759	9,659

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

(a) Directors' emoluments *(Continued)*

The emoluments of every director for the year ended 31 December 2010 is as follows:

Name of Director	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						
Mr. Ching Chi Fai	120	1,080	900	107	12	2,219
Mr. Ching Chi Keung	120	390	414	714	12	1,650
Mr. Liu Zigang	120	400	565	714	21	1,820
Mr. Lee King Hay	120	390	414	714	12	1,650
Ms. Chan Yim Ching	120	614	582	716	12	2,044
Mr. Leung Ping Shing *(Note ii)*	10	40	50	177	–	277
Independent non-executive Directors						
Mr. Hung Kam Hung	150	–	–	107	–	257
Mr. Ma Chun Fung Horace	150	–	–	107	–	257
Mr. Sun Kai Lit Cliff	150	–	–	107	–	257
Non-executive Directors						
Mr. Ching Chau Chung *(Note i)*	35	–	–	–	–	35
Mr. Ng Bo Kwong	120	–	–	107	–	227
Mr. Leung Ping Shing *(Note ii)*	66	–	–	–	–	66
Total	1,281	2,914	2,925	3,570	69	10,759

Note:

(i) Mr. Ching Chau Chung resigned as a non-executive Director on 16 April 2010.

(ii) Mr. Leung Ping Shing was appointed as a non-executive Director on 14 May 2010 and was re-designated as an executive Director on 28 December 2010.

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

(a) Directors' emoluments *(Continued)*

The emoluments of every director for the year ended 31 December 2009 is as follows:

Name of Director	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						
Mr. Ching Chi Fai	120	1,180	800	56	12	2,168
Mr. Ching Chau Chung *(Note i)*	80	788	–	56	8	932
Mr. Ching Chi Keung	120	433	350	376	12	1,291
Mr. Liu Zigang	120	441	500	376	22	1,459
Mr. Lee King Hay	120	433	350	376	12	1,291
Ms. Chan Yim Ching	120	676	500	376	12	1,684
Independent non-executive Directors						
Mr. Hung Kam Hung	150	–	–	56	–	206
Mr. Ma Chun Fung Horace	150	–	–	56	–	206
Mr. Sun Kai Lit Cliff	150	–	–	56	–	206
Non-executive Directors						
Mr. Ching Chau Chung *(Note i)*	40	–	–	–	–	40
Mr. Ng Bo Kwong	120	–	–	56	–	176
Total	1,290	3,951	2,500	1,840	78	9,659

Note:

(i) Mr. Ching Chau Chung was re-designated as a non-executive Director upon his retirement as an Executive Director on 1 September 2009.

The emoluments of the directors fall within the following bands:

	Number of Individuals 2010	2009
Nil to HK$1,000,000	**6**	5
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**3**	1
HK$2,000,001 to HK$2,500,000	**2**	1

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2010 include five directors (2009: five) whose emoluments are reflected in the analysis presented above.

(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 2010 (2009: Nil).

29 FINANCE INCOME AND FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Finance costs on bank borrowings		
– wholly repayable over five years	**(791)**	(505)
Finance costs	**(791)**	(505)
Finance income	**950**	1,848
Finance income – net	**159**	1,343

30 INCOME TAX EXPENSES

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	2010 HK$'000	(Restated) 2009 HK$'000
Current income tax:		
– Hong Kong profits tax	**8,214**	16,754
– PRC enterprise income tax	**16,178**	3,948
– Singapore income tax	**645**	663
	25,037	21,365
Deferred income tax	**1,141**	2,079
	26,178	23,444

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates. Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the year ended 31 December 2010.

The new Corporate Income Tax Law in the PRC became effective since 1 January 2008 with standard income tax rate of 25%. The tax rate applicable to certain subsidiaries in Shenzhen and Guangzhou, established prior to 16 March 2007, is 22% (2009: 20%) for the year ended 31 December 2010. This will be gradually increased to 25% in 2012 over a 5-year transition period.

The applicable corporate income tax rate of Luoding Quality Amenities Company Limited, a subsidiary of the Group, is 25%. Luoding Quality Amenities Company Limited is eligible for corporate tax exemption for two years in 2008 and 2009, followed by a 50% reduction in corporate income tax rate in the next three years from 2010 to 2012. Luoding Quality Amenities Company Limited did not have assessable profit for the years ended 31 December 2010 and 2009.

Corporate tax in Singapore has been provided at the rate of 17% (2009: 17%) on the estimated assessable profit for the year ended 31 December 2010.

30 INCOME TAX EXPENSES *(Continued)*

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

	2010 HK$'000	(Restated) 2009 HK$'000
Profit before income tax	**135,922**	119,713
Tax calculated at domestic tax rates applicable to profits in the respective countries	**26,966**	22,052
Income not subject to tax	**(7,337)**	(4,867)
Expenses not deductible for tax purposes	**3,385**	2,359
Write off of deferred tax assets brought forward	**–**	2,707
Tax losses for which no deferred income tax asset was recognised	**3,164**	1,193
Tax charge	**26,178**	23,444

The weighted average applicable tax rate was 19% (2009: 20%) per annum for the year ended 31 December 2010.

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$22,942,000 (2009: HK$6,584,000) as at 31 December 2010 to offset against future taxable income. These tax losses expire in the following years:

	2010 HK$'000	2009 HK$'000
In the first to fifth years inclusive	**7,606**	2,645
No expiry date	**15,336**	3,939
	22,942	6,584

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$57,533,000 (2009: HK$62,244,000).

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.

	2010	(Restated) 2009
Profit attributable to equity holders of the Company (HK$'000)	**116,128**	97,982
Weighted average number of ordinary shares in issue (thousands)	**612,377**	600,000
Basic earnings per share attributable to equity holders of the Company (HK cents)	**19.0**	16.3

(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.

	2010	(Restated) 2009
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	**116,128**	97,982
Weighted average number of ordinary shares in issue (thousands)	**612,377**	600,000
Adjustments for:		
– Share options (thousands)	**17,210**	1,324
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**629,587**	601,324
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**18.4**	16.3

33 DIVIDENDS

On 3 September 2009, the Board resolved to pay an interim dividend on HK3.0 cents per share for the year ended 31 December 2009, amounting to a total dividend of HK$18,000,000, which was paid on 8 October 2009.

On 13 May 2010, a final dividend of HK5.0 cents per share for the year ended 31 December 2009, amounting to a total dividend of HK$30,000,000 was approved by the Company's shareholders, which was paid on 27 May 2010.

On 26 August 2010, the Board resolved to pay an interim dividend of HK3.5 cents per share for the year ended 31 December 2010, amounting to a total dividend of HK$22,300,000, which was paid on 8 October 2010.

The final dividend in respect of the year ended 31 December 2010 of HK4.5 cents per share, amounting to a total dividend of approximately HK$28,671,000, is proposed on 29 March 2011, which is subject to approval at the AGM to be held on 12 May 2011. 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 2010.

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2010 HK$'000	Restated *(Note 2(b))* 2009 HK$'000
Profit before income tax	**135,922**	119,713
Adjustments for:		
– Amortisation of land use rights *(Note 6)*	**476**	290
– Depreciation of property, plant and equipment *(Note 7)*	**28,640**	24,991
– Amortisation of intangible assets *(Note 9)*	**854**	117
– Changes in fair value of derivative financial instrument *(Note 26)*	**–**	(273)
– Loss on disposal of property, plant and equipment *(Note 25)*	**7**	82
– Finance income *(Note 29)*	**(950)**	(1,848)
– Finance expense *(Note 29)*	**791**	505
– (Write-back of)/provision for obsolete inventories *(Note 25)*	**(3,670)**	2,624
– Provision for/(write-back of) impairment of trade and bills receivables *(Note 25)*	**2,296**	(1,612)
– Share of profit of an associated company	**(220)**	(118)
– Fair value gain on investment properties *(Note 8)*	**(14,000)**	(11,597)
– Share-based compensation *(Note 27)*	**8,636**	2,857
Changes in working capital:		
– Inventories	**(58,129)**	3,651
– Trade and bills receivables	**(55,379)**	(4,975)
– Deposits, prepayments and other receivables	**(60,573)**	(741)
– Trade payables	**33,932**	6,817
– Accruals and other payables	**(6,556)**	6,321
– Amount due from an associated company	**528**	(255)
Cash generated from operations	**12,605**	146,549

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:

	2010 **HK$'000**	2009 HK$'000
Net book amount:		
– Property, plant and equipment	**338**	240
Loss on disposal of property, plant and equipment	**(7)**	(82)
Proceeds from disposal of property, plant and equipment	**331**	158

(c) Analysis of changes in financing during the year

Bank borrowings

	2010 **HK$'000**	2009 HK$'000
Beginning of the year	**63,884**	63,460
Acquisition of subsidiaries *(Note 36)*	**11,368**	–
Proceeds from borrowings	**11,424**	64,400
Repayments of borrowings	**(17,604)**	(63,994)
Exchange difference	**351**	18
End of the year	**69,423**	63,884

Loans from non-controlling interests

	2010 **HK$'000**	2009 HK$'000
Beginning of the year	**661**	495
Proceeds from loans	**3,920**	20
Exchange difference	**101**	146
End of the year	**4,682**	661

35 COMMITMENTS

(a) Capital commitments

As at 31 December 2010, the capital commitments of the Group were HK$36,429,000 (2009: HK$68,970,000).

	2010 HK$'000	2009 HK$'000
Contracted but not provided for in the consolidated financial statements	**36,429**	31,582
Authorised but not contracted for	**–**	37,388
	36,429	68,970

The capital commitments mainly relate to the construction of a laundry plant at Changshu City, Jiangsu Province of the PRC.

(b) Operating lease commitments

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

	2010 HK$'000	2009 HK$'000
No later than one year	**12,851**	10,192
Later than one year and no later than five years	**10,747**	9,414
	23,598	19,606

(c) Other commitments

As at 31 December 2010, the Group has the following other commitments:

	2010 HK$'000	2009 HK$'000
No later than one year	**7,836**	–

36 BUSINESS COMBINATION

On 31 August 2010, the Group acquired 100% of the share capital of All Team Group for RMB225,236,000 (approximately HK$258,639,000) of which RMB148,845,000 were in cash (approximately HK$170,919,000) and RMB76,391,000 (approximately HK$87,720,000) by the issuance of the Company's shares. All Team Group is principally engaged in the distribution and retail business of cosmetic products and fashion accessories in the PRC.

The fair value of the 37,130,293 ordinary shares issued as part of the consideration paid for All Team Group of HK$87,720,000 was calculated with reference to the published share price, taking into account of the fair value of the lock-up feature, on 31 August 2010.

According to the sale and purchase agreement signed between the Group and All Team Group, (i) RMB 10,000,000 (approximately HK$11,483,000) shall be withheld by the Group until December 2012 to satisfy any claims against the vendors in respect of any breaches of warranties provided in the sales and purchase agreement. The amount withheld is recognised as a long-term payable in the consolidated balance sheet, which is a financial liability that is carried at amortised cost and (ii) if All Team Group's 2011 audited profit falls below RMB50,000,000, the Company would recover certain number of shares issued as consideration, up to a maximum number of 18,565,146 shares.

The goodwill of HK$318,869,000 is attributable to a number of elements, which cannot individually be quantified. Most significant amongst these is the premium attributable to the pre-existing and well-position sales network of All Team Group in the distribution and retail business of cosmetics and fashion accessories in the PRC. Other important elements includes buyer-specific synergies and economies of scales expected from combining the operations of All Team Group into the Group.

None of the goodwill recognised is expected to be deductible for income tax purposes. The following table summarise the consideration paid for All Team Group and the amounts of the assets acquired and liabilities assumed recognised as at the acquisition date.

Consideration:

At 31 August 2010	HK$'000
– Cash	170,919
– Equity instruments (37,130,293 ordinary shares)	87,720
Total consideration	258,639
Add: Fair value of identifiable net liabilities	60,230
Goodwill	318,869

36 BUSINESS COMBINATION *(Continued)*

The carrying amounts of assets and liabilities of All Team Group at the acquisition date were as follows:

Recognised amounts of identifiable assets acquired and liabilities assumed	**Fair value**	**Acquiree's carrying amount**
	HK$'000	HK$'000
Cash and cash equivalents	**3,184**	3,184
Land use rights	**9,301**	7,678
Property, plant and equipment	**28,724**	9,424
Brandname (included in intangible asset)	**16,000**	–
Deposits, prepayments and other receivables	**8,808**	8,808
Trade receivables	**6,612**	6,612
Inventories	**7,873**	9,956
Borrowings	**(11,368)**	(11,368)
Trade payables	**(25,923)**	(25,923)
Accruals and other payables	**(86,603)**	(86,603)
Current tax liabilities	**(8,048)**	(8,048)
Deferred tax liabilities	**(8,790)**	–
Total identifiable net liabilities	**(60,230)**	(86,280)
Cash and cash equivalents acquired	**3,184**	
Cash consideration	**(170,919)**	
Less: Long-term payables withhold	**10,157**	
Net cash outflow on acquisition	**(157,578)**	

The gross contractual amount for trade receivables due is HK$6,612,000, of which none is expected to be uncollectible.

The Group received indemnities from certain shareholders of the All Team Group to cover the potential exposure arising from under payment of tax and related penalties and surcharge of All Team Group prior to the acquisition.

The revenue and profit included in the consolidated statement of comprehensive income since 31 August 2010 contributed by All Team Group were HK$81,429,000 and HK$15,184,000 respectively. Had All Team Group been consolidated from 1 January 2010, All Team Group would have additionally contributed to revenue and profit to the Group amounting to HK$122,613,000 and HK$23,811,000 based on the unaudited management accounts from 1 January 2010 to 30 August 2010.

37 RELATED PARTY TRANSACTIONS

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

The ultimate controlling parties of the Group are Mr. Ching Chi Fai, Mr. Ching Chi Keung, Mr. Liu Zigang and Ms. Chan Yim Ching.

(a) Significant related party transactions

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

Name of related party	Principal business activities	Relationship with the Group
Mr. Liu Zigang	Not applicable	A shareholder and a director of the Company
Ming Fai Plastic Industrial Company	Manufacturing of plastic products (Ceased manufacturing of plastic products since April 2003)	Partnership owned by Mr. Ching Chi Fai, Mr. Ching Chau Chung (a former substantial shareholder and a former director of the Company) 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 non-executive Director of the Company.

The Group had the following significant transactions with related parties:

		2010 HK$'000	2009 HK$'000
(i)	Sales of goods		
	– to Quality Amenities Supply (M) Sdn. Bhd.	**1,675**	916
(ii)	Rental charged		
	– by Ming Fai Plastic Industrial Company	**991**	975
	– by Mr. Liu Zigang	**152**	150
(iii)	Purchase of services rendered from		
	– Consultancy service from Advance Management Consultants Limited	**130**	376
	– Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd	**586**	502

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.

37 RELATED PARTY TRANSACTIONS *(Continued)*

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

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 involved 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 involved parties.

(b) Key management compensation

	2010 HK$'000	2009 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**10,690**	9,581
Contributions to pension plans	**69**	78
	10,759	9,659

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

	2010 HK$'000	2009 HK$'000
Amounts due from		
– Quality Amenities Supply (M) Sdn. Bhd	**764**	808

(d) Loan to an associated company

	2010 HK$'000	2009 HK$'000
Beginning of the year	**484**	484
Repayment of loan during the year	**(484)**	–
End of the year	**–**	484

Five Year Financial Summary

CONSOLIDATED/COMBINED RESULTS

	Year ended 31 December				
				(Restated)	
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	687,406	846,017	876,044	811,336	**1,085,933**
Profit before income tax	111,060	156,042	121,517	119,713	**135,922**
Income tax expenses	(18,706)	(30,110)	(20,673)	(23,444)	**(26,178)**
Profit for the year	92,354	125,932	100,844	96,269	**109,744**

CONSOLIDATED/COMBINED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
				(Restated)	
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS					
Non-current assets	120,090	146,424	157,110	308,482	**789,694**
Current assets	285,510	802,887	854,052	753,475	**634,568**
Total assets	405,600	949,311	1,011,162	1,061,957	**1,424,262**
EQUITY AND LIABILITIES					
Total equity	164,556	706,166	760,934	795,735	**974,357**
Non-current liabilities	345	322	343	57,919	**73,021**
Current liabilities	240,699	242,823	249,885	208,303	**376,884**
Total liabilities	241,044	243,145	250,228	266,222	**449,905**
Total equity and liabilities	405,600	949,311	1,011,162	1,061,957	**1,424,262**