



明輝國際控股有限公司^{*}
Ming Fai International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

INTERNATIONAL PLACING and
HONG KONG PUBLIC OFFER



Global Coordinator, Bookrunner, Lead Manager and Sponsor



^{*} For identification only

IMPORTANT

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.



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

**LISTING ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF
INTERNATIONAL PLACING
AND
HONG KONG PUBLIC OFFER**

Number of Offer Shares	:	177,000,000 Shares comprising 150,000,000 New Shares and 27,000,000 Sale Shares (subject to the Over-allotment Option)
Number of International Placing Shares	:	159,300,000 Shares comprising 132,300,000 New Shares and 27,000,000 Sale Shares (subject to reallocation and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	17,700,000 New Shares (subject to reallocation)
Offer Price	:	Not more than HK\$2.98 per Offer Share (payable in full on application in Hong Kong dollars together with a brokerage of 1%, a SFC transaction levy of 0.004% and a Stock Exchange trading fee of 0.005%, and subject to refund) and expected to be not less than HK\$2.50 per Offer Share
Nominal value	:	HK\$0.01 per Share
Stock code	:	3828

Global Coordinator, Bookrunner, Lead Manager and Sponsor



The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission in Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

We expect the Offer Price to be fixed by agreement between the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date, which is expected to be on or around Thursday, 25 October 2007 and, in any event, not later than 12:00 noon on Wednesday, 31 October 2007. The Offer Price will be not more than HK\$2.98 and is currently expected to be not less than HK\$2.50 per Offer Share unless otherwise announced.

The Global Coordinator (on behalf of the Underwriters) may with our consent reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for the lodging of applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. If applications for Hong Kong Offer Shares have been submitted prior to the last day for the lodging of applications under the Hong Kong Public Offer, then even if the number of Hong Kong Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set out in the section headed "Structure of the Share Offer" in this prospectus.

If, for whatever reason, we (for ourselves and on behalf of the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters) are not able to agree on the Offer Price at or before 12:00 noon on Wednesday, 31 October 2007, the Share Offer will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Global Coordinator (on behalf of the Hong Kong Underwriters) if certain circumstances arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such circumstances are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Grounds for termination" in this prospectus. It is important that you carefully read that section before making any investment decision.

* For identification only

EXPECTED TIMETABLE¹

2007¹

Latest time for lodging **PINK** Application Forms 4:00 p.m. on Wednesday, 24 October

Application lists open² 11:45 a.m. on Thursday, 25 October

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and giving **electronic**

application instructions to HKSCC³ 12:00 noon on Thursday, 25 October

Latest time to complete electronic applications

under the **White Form eIPO** service through

the designated website **www.eipo.com.hk**⁴ 12:00 noon on Thursday, 25 October

Application lists close² 12:00 noon on Thursday, 25 October

Price Determination Date⁵ Thursday, 25 October

Announcement of the final Offer Price and indication

of the levels of interest in the International Placing

and the basis of allotment of the Hong Kong Offer

Shares to be published in the South China Morning

Post (in English) and the Hong Kong Economic

Times (in Chinese) on Thursday, 1 November

Results of allocations in the Hong Kong Public Offer,

including the Hong Kong Identity Card/passport/

Hong Kong Business Registration numbers (where applicable)

of successful applicants will be made available through a

variety of channels as described in the section headed

“How to Apply for Hong Kong Offer Shares

– 9(a) Publication of results” in this prospectus from Thursday, 1 November

Despatch of Share certificates in respect of wholly

or partially successful applications pursuant to

the Hong Kong Public Offer on or before Thursday, 1 November

Despatch of refund cheques in respect of wholly

successful (if applicable) and wholly or partially

unsuccessful applications pursuant to the

Hong Kong Public Offer on or before⁶ Thursday, 1 November

Dealings in the Shares on the Stock Exchange

to commence on 9:30 a.m. on Friday, 2 November

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” in this prospectus.

EXPECTED TIMETABLE¹

2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 25 October 2007, the application lists will not open on that day. Further information is set out in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” under the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.
3. Applicants who apply by giving **electronic application instructions** to HKSCC should read the section headed “How to apply for Hong Kong Offer Shares – 5. Applying by Giving Electronic Application Instructions to HKSCC” in this prospectus.
4. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
5. The Price Determination Date is expected to be on or around Thursday, 25 October 2007, and in any event not later than Wednesday, 31 October 2007. If, for any reason, the Offer Price is not agreed at or before 12:00 noon on Wednesday, 31 October 2007, the Share Offer will not proceed and will lapse.
6. Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque, if any.

Applicants who apply on **WHITE** Application Forms or through **White Form eIPO** for 1,000,000 Shares or more under the Hong Kong Public Offer and have indicated in their Application Forms that they wish to collect refund cheques and (where applicable) Share certificates in person from our Hong Kong branch share registrar may collect refund cheques and (where applicable) Share certificates in person from our Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, 1 November 2007. Identification and (where applicable) authorisation documents acceptable to our Hong Kong branch share registrar must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offer and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for applicants who apply on **WHITE** Application Form.

The Share certificates and/or refund cheques for applicants who apply on **PINK** Application Forms will be sent to the addresses indicated in their Application Forms on Thursday, 1 November 2007, by ordinary post at their own risk.

EXPECTED TIMETABLE¹

Uncollected Share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "Terms and conditions of the Hong Kong Public Offer – 8. Refund of Application Monies" in this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional; and (ii) the Underwriters' right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Grounds for termination" in this prospectus has not been exercised and has lapsed.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholders, the Global Coordinator, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As the following is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in our Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set forth in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide whether to invest in our Offer Shares.

During the Track Record Period, we sourced toothpaste from various toothpaste manufacturers in the PRC. Some of the toothpaste supplied by certain third party suppliers to two of our US distributors was found to contain DEG, a poisonous chemical used in antifreeze and as a solvent agent, and a voluntary recall of the toothpaste had been made by one of the two US distributors. Our revenue from sales of dental kits with toothpaste containing DEG during the three years ended 31 December 2006 and seven months ended 31 July 2007 were minimal, approximately HK\$1.0 million, HK\$0.8 million, HK\$0.8 million and HK\$0.6 million respectively. As at the Latest Practicable Date, there was no litigation or similar proceedings in relation to the toothpaste issue. According to our US legal advisers, it is unlikely that the toothpaste incident will lead to a cascade of litigation. Our Directors confirm that the loss arising from the toothpaste issue would not have a material impact to our financial position. Our Controlling Shareholders have agreed to indemnify us for all costs, liabilities or damages suffered by any member of our Group in connection with products containing poisonous and/or problematic ingredients sold before the Listing. For further details of the incident and discussion of the associated potential risks, please refer to the sections headed "Business – Toothpaste DEG Issues" and "Risk Factors – Some of our toothpaste supplied to US was found to contain DEG and subject to voluntary product recall by the relevant distributor" respectively in this prospectus.

OVERVIEW

We are one of the PRC-based suppliers and manufacturers of quality amenity products and accessories to internationally recognised or branded operators in the hotel, hospitality and travel industries within and outside the PRC. Our Directors believe that we have an established position in the PRC because of our over 20 years of operations in the PRC, our one-stop comprehensive product offerings, strong design and customisation capabilities, fully integrated production process, in-depth manufacturing know-how and high quality control, as well as our strategic focus in the hotel, hospitality and travel industries. Such business acumen has enabled us to become one of the few amenity suppliers which caters for luxurious and high ranking hotels and international airlines, and has clearly distinguished us from other general amenity suppliers.

We principally target internationally recognised hotel chains and airline operators as our direct-sales customers or end-user groups. We boast a direct-sales clientele of famous hotels, hotel chains and airline operators, including a number of leading household names in their respective industries such as Shangri-La Hotels and Resorts, Sheraton Sanya Resort, Diaoyutai State Guesthouse, JW Marriott Hong Kong, Hotel Nikko Hong Kong, Le Meridien

SUMMARY

Cyberport, Renaissance Kowloon Hotel, Cathay Pacific, Dragonair, and LSG Sky Chefs (a wholly-owned subsidiary of Lufthansa). Shangri-La Hotels and Resorts is one of our five largest customers and accounts for approximately 4.8% of our total sales for the year ended 31 December 2006. The other named direct-sale customers are individual hotels and sales to each of them contributed to less than 1% of our total sales during the Track Record Period. As to the airline operators, Cathay Pacific accounted for approximately 1.9% of our total sales for the year ended 31 December 2006. We did not record any sales to Le Meridien Cyberport, Dragonair and LSG Sky Chefs (a wholly-owned subsidiary of Lufthansa) for the year ended 31 December 2006 as they only became our customers since 2007. We also boast a clientele of major international distributors of amenity products such as Guest Supply, Guest International, JRS Amenities, Room Service Amenities, and Wessco, which supply amenity products to other internationally recognised end-user hotel chains and airline operators and service providers. They accounted for approximately 11.1%, 11.1%, 2.1%, 3.6% and 3.3% respectively of our total sales for the year ended 31 December 2006. Our Directors consider these target customers and end-user groups have substantial recurring needs for amenity products and accessories, particularly those products which are designed for single use in hotels or on board aircrafts. We also supply small amounts of plastic covers for hospital surgical equipment and customer gift sets for retail businesses to other distributors such as an overseas distributor of disposable medical devices and Paris Presents, which accounted for approximately 3.9% and 3.3% respectively of our total sales for the year ended 31 December 2006.

Due to different market dynamics, during the Track Record Period, our products were sold either to direct-sales customers and distributorship-sales customers principally in the Greater China and Southeast Asian markets or to wholesale distributors and trading companies supplying other end-user groups in other overseas markets. The revenue percentages of our direct and distributorship sales during the Track Record Period are set out in the table below.

	Year ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	Revenue (HK\$'000)	Percentage of revenue (%)	Revenue (HK\$'000)	Percentage of revenue (%)	Revenue (HK\$'000)	Percentage of revenue (%)	Revenue (HK\$'000)	Percentage of revenue (%)	Revenue (HK\$'000)	Percentage of revenue (%)
Distributorship sales ¹	284,795	81.2	407,545	80.3	531,743	77.4	242,209	77.3	290,352	75.8
Direct sales ²	65,922	18.8	99,842	19.7	155,663	22.6	71,077	22.7	92,855	24.2
Total	<u>350,717</u>	<u>100.0</u>	<u>507,387</u>	<u>100.0</u>	<u>687,406</u>	<u>100.0</u>	<u>313,286</u>	<u>100.0</u>	<u>383,207</u>	<u>100.0</u>

Notes:

1. Distributorship-sales customers comprise mainly wholesale distributors and trading companies including certain major international amenities distributors and wholesalers.
2. Direct-sales customers comprise mainly service provider customers which include hotels and airline operators.

We do not usually enter into long term supply contracts for over one year with our direct-sales customers and our distributors. Nevertheless, we have enjoyed a stable and amicable business relationship of an average of 10 years with our major direct-sales customers and our distributors.

SUMMARY

As at the Latest Practicable Date, we have about 550 distributors all of which are Independent Third Parties. Judging from the product specifications and labelling requirements of our distributorship-sales customers, we have knowledge as to the end-user groups of hotels, hotel chains and airline operators to which our distributors are supplying. However, there is minimal overlapping in our direct-sales customers and the end-user groups of our distributorship-sales customers as our distributors are mainly serving overseas markets other than the Greater China Region and Southeast Asia where our direct-sales customers are principally located. We also have certain small scale local distributors in the PRC which supply amenity products to various local end-user hotels in the PRC beyond our direct-sales coverage. During the Track Record Period, our sales to a certain extent concentrated to a small number of customers or end-user groups. For each of the three years ended 31 December 2006 and six months ended 30 June 2007, our five largest customers, of which four are wholesale distributors and trading companies, accounted for approximately 32.2%, 31.0%, 34.4% and 33.5% of our total turnover respectively. For discussion of the underlying risk in relation to the concentration on certain major customers, please refer to the section headed “Risk Factors - We are dependent on certain major direct-sales customers and distributors” in this prospectus. Our major distributors are mainly based in North America and Europe. We do not usually enter into any formal or long-term distributorship agreements with our distributors. Under normal circumstances, our distributors would purchase our amenity products on a per order basis whenever they required additional inventory for distribution to their respective end-user groups including hotels and airline operators. The individual purchase orders would state, among others, the quantity of products required, the product specifications, and the purchase price for that particular order. In respect of our distributorship sales, we provide sales incentives to our major distributorship-sales customers usually in the forms of sales rebates and commissions as a percentage generally ranging from 0.5% to 3.0% of the sales amounts. We recognise revenue from the sales of goods to our distributorship-sales customers when the title to our amenity products has been passed to them, which is at the date when the customer receives and accepts the goods, and collectibility of the related receivables is reasonably assured. For further details of our revenue recognition policy, please refer to note (h) of our critical accounting policies in the section headed “Financial Information” in this prospectus. Our products are customised and tailor-made for our customers. Product samples are prepared in accordance with the clients’ specifications for confirmation before mass production. In the premises, the amount of return of goods was insignificant over the Track Record Period.

SUMMARY

Geographically, North America, Europe, China, Hong Kong and other Asia Pacific countries were our five major markets during the Track Record Period. Set out below is a geographical breakdown of our source of revenue during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	Revenue (HK\$'000)	Percentage of revenue (%)	Revenue (HK\$'000)	Percentage of revenue (%)	Revenue (HK\$'000)	Percentage of revenue (%)	Revenue (HK\$'000) <i>(unaudited)</i>	Percentage of revenue (%)	Revenue (HK\$'000)	Percentage of revenue (%)
North America	156,122	44.5	210,657	41.5	263,897	38.4	114,021	36.4	146,937	38.3
Europe	71,186	20.3	95,898	18.9	170,794	24.8	81,743	26.1	84,997	22.2
PRC	50,178	14.3	66,441	13.1	90,310	13.1	38,970	12.4	53,186	13.9
Hong Kong	46,244	13.2	76,308	15.1	75,327	11.0	35,646	11.4	54,654	14.3
Other Asia Pacific countries ¹	22,216	6.3	51,859	10.2	71,815	10.5	35,764	11.4	35,845	9.3
Others ²	4,771	1.4	6,224	1.2	15,263	2.2	7,142	2.3	7,588	2.0
	<u>350,717</u>	<u>100.0</u>	<u>507,387</u>	<u>100.0</u>	<u>687,406</u>	<u>100.0</u>	<u>313,286</u>	<u>100.0</u>	<u>383,207</u>	<u>100.0</u>

Notes:

1. Other Asia Pacific countries mainly include Japan, United Arab Emirates, Thailand, Philippines, Malaysia and Singapore.
2. Others mainly include South Africa, Egypt, Morocco and Nigeria.

Whilst we derived a majority of our revenue from overseas markets during the Track Record Period, our Directors believe that the rapid growth of the PRC economy together with the hosting of the Olympic Games in Beijing in 2008, the World Expo in Shanghai and the Asian Games in Guangzhou in 2010 will present us with attractive business opportunities in China in the foreseeable future. In order to better serve and enhance our relationships with our customers in the Greater China Region as well as capturing our anticipated business expansion plans in China, apart from the sales department at our Pinghu Production Base in Shenzhen, we have established sales offices in four major cities in the Greater China Region, namely Hong Kong, Beijing, Shanghai and Dalian and plan to establish new ones in other major cities including Wuhan, Chongqing and Xian.

We offer a wide and comprehensive range of products, which can be broadly classified into two major categories, namely (i) hotel room amenity products and accessories, including personal healthcare items and other in-room accessories; and (ii) airline amenity products, including airline amenity kits and accessories. We manufacture most of these products but source others from third party manufacturers for further processing and customisation. We also produce plastic covers for hospital surgical equipment as well as customised gift sets for retail businesses.

With a view to maximising the production capacities and minimising idle times of our equipment and human resources, our Directors have been actively exploring the market potentials of expanding our sales to mid-range and chain budget hotels in China through mass production and supply of standardised and uniform amenity products under our own brands or licensed brands. We intend to use approximately HK\$15.0 million out of the net proceeds from the issue of the New Shares for setting up new sales offices, expansion of sales network and sales to mid-range and chain budget hotels in the Greater China Region. Whilst we would be able to take advantage of the economies of scale associated with the

SUMMARY

mass production of such products and hence achieving higher profit margins, our service provider customers are also expected to benefit from a stable supply of high quality amenity products at lower purchase costs.

Our business had been expanding during the Track Record Period. Our revenue and net profit increased from approximately HK\$350.7 million and HK\$26.5 million respectively for the year ended 31 December 2004 to HK\$507.4 million and HK\$55.0 million respectively for the year ended 31 December 2005, which represented an increase of approximately 44.7% and 107.5% respectively and further increased to HK\$687.4 million and HK\$92.4 million respectively for the year ended 31 December 2006, which represented an increase of approximately 35.5% and 68.0% respectively. For the six months ended 30 June 2007, our revenue and net profit were approximately HK\$383.2 million and HK\$59.7 million respectively, which represented an increase of approximately 22.3% and 40.3% respectively from the same period in 2006. Our Directors attribute such growth principally to an increase in our products sales, which was due to a number of factors such as an increase in market demand resulting from the prospering hotel and travel industries, our established reputation in the market, our continuing strategic focus on the niche market, improving product qualities, a broadening range of product varieties, improvements in our design and customisation capabilities, an expanding logistics and distribution network and an increased emphasis on after-sales services.

During the Track Record Period, our main production lines were located at our Pinghu Production Base whilst certain production processes continued at our Pinghu Existing Workshop. Our Pinghu Production Base occupies a total gross floor area of approximately 58,439 sq.m. and has an estimated production capacity of approximately 80.2 million pieces, 55.3 million pieces, 190.8 million pieces, 157.2 million pieces and 9.6 million pieces for shower caps, toothbrushes, chemical-based products, bath soaps and sewing kits respectively for the year ended 31 December 2006. Since September 2006, we have commenced operations at our Luoding Leased Factory which occupies a total gross floor area of approximately 12,401 sq.m. and has an estimated production capacity of approximately 13.2 million pieces of shower caps for three and a half months ended 31 December 2006 and 8.8 million pieces of sewing kits for four months ended 31 December 2006 respectively. Whilst our Pinghu Production Base focuses on products that require more advanced production technologies, our Luoding Leased Factory supports more labour-intensive production processes.

SUMMARY

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have significantly contributed to our success and will continue to drive our growth:

- Strategic focus on niche market of hotel, hospitality and travel industries
- Established presence and recognised corporate identity in the industry niche market position
- One-stop comprehensive product portfolio
- Strong design and customisation capabilities
- Fully integrated production process and economies of scale
- Stringent quality control
- Strong operating cash flow to support capital expenditures with substantial financial growth
- Experienced and stable management
- Environmentally-friendly amenity products

BUSINESS STRATEGIES

Our goal is to strengthen our position as a one-stop integrated quality amenity products supplier to hotel and airline operators. To achieve this goal, we have developed the following business strategies:

- Strengthening foothold in the hotel, hospitality and travel industries
- Expanding range of product offerings
- Expanding into the mid-range and chain budget hotel market in the PRC
- Streamlining production processes and business operations
- Establishing leading position in manufacturing and supplying environmentally-friendly amenity products

SUMMARY

TOOTHPASTE DEG ISSUES

The Toothpaste Incident

On 1 June 2007, FDA warned consumers to avoid using tubes of toothpaste labelled as “Made in China”. The warning and an “Import Alert” were issued to prohibit toothpaste labelled as containing DEG as an ingredient, as well as a number of specified brands of toothpaste from a number of specified Chinese manufacturers that are labelled as containing DEG as an ingredient from entering the US. Our revenue from sales of dental kits with toothpaste containing DEG during the three years ended 31 December 2006 and seven months ended 31 July 2007 were minimal, approximately HK\$1.0 million, HK\$0.8 million, HK\$0.8 million and HK\$0.6 million respectively. The “Import Alert” subjects covered products to “detention without physical examination”. This means the product in question will not be allowed entry into the US unless the importer can prove that it complies with all FDA requirements. Absent such proof, the product is refused admission and typically either destroyed or exported. Based on the legal opinion issued by our US legal advisers, by statute, FDA can disallow a product to be imported into the United States if it “appears to” violate FDA requirements. The “appears to” standard is a lower standard than the standard for FDA to take action against product already in US commerce. This is the legal basis for the “Import Alert”. Although our toothpaste is not among the list of products cited in the FDA announcement, independent testing revealed that toothpaste supplied to two of our distributors in the US contained DEG.

On 13 August 2007, one of the said US distributors made a press release on the FDA website alleging that certain toothpaste supplied by us was found to contain DEG, and a voluntary recall of the toothpaste had been made in cooperation with the FDA accordingly.

DEG is used in antifreeze and is a solvent agent. Toothpaste is not intended to be swallowed but FDA is concerned about unintentional swallowing or ingestion of toothpaste containing DEG. Up to the Latest Practicable Date, FDA was not aware of any US reports of poisonings from toothpaste containing DEG, and no further announcement was made by FDA subsequent to its warning to suggest there is any change in this position. However, FDA is concerned about chronic exposure to DEG and exposure to the product in certain populations, such as children and individuals with kidney or liver disease. Toothpaste containing DEG has a low but meaningful risk of toxicity and injury to these populations.

US Legal Opinion

According to our US legal advisers, if FDA were to find toothpaste with DEG as a listed ingredient or toothpaste with an excessive level of DEG (whether declared on the label as an ingredient or not), the most likely response would be a refusal of import entry (as discussed above) or, if the product is already in US commerce, a request for a “voluntary” recall. Recalls of cosmetics are voluntary in a sense that FDA does not have any statutory authority to order a firm to conduct a recall. Nevertheless, if the manufacturer or distributor refuses to conduct a “voluntary” recall, FDA may issue publicity that is very damaging to the company’s good will and reputation. In addition, FDA may file a seizure lawsuit against the toothpaste if it finds substantial quantities in a single location. While FDA has authority to seek criminal penalties (fines against companies and responsible

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individuals and/or imprisonment of responsible individuals) in connection with violations of FDA requirements, FDA seldom does so. In recent years, FDA criminal prosecutions have largely focused on intentionally fraudulent conduct, such as submitting false information to the agency.

Because DEG poses a chronic, as opposed to an acute, health hazard, our US legal advisers are of the view that it is unlikely that FDA will take further enforcement action absent extenuating circumstances. Moreover, as long as our US distributor is voluntarily recalling the product, FDA will probably feel there is no need for seizure of product. FDA will follow up with the said US distributor to make sure the recall is effective. For example, FDA will expect periodic recall status reports from the distributor, and will want to witness destruction of the recalled product or at least see documentary evidence of its destruction.

According to our US legal advisers, it is unlikely that individual consumers would bring suit because (i) most of the problematic product was removed from hotels or never shipped to hotels in the first place; and (ii) even if a hotel guest were found to have ingested some of the toothpaste, that guest would have to show that the toothpaste in question contained DEG and that the DEG caused some identifiable health problem. More likely, the said US distributor would seek reimbursement for the costs of its product recall, damages for lost sales and profit and perhaps for some claimed damage to its reputation against us. Conceivably, but less likely, a hotel chain could assert a claim against the said US distributor on similar theories, and the distributor could, in turn, bring us into the dispute and attempt to saddle us with the responsibility for satisfying the hotel chain's asserted damages.

According to our US legal advisers, it is unlikely that the toothpaste incident will lead to a cascade of litigation. There is difficulty on the part of potential litigant (or in a class action, a group of litigants) establishing compensable harm and it is unlikely that a plaintiff will be able to establish more than de minimus (if any) monetary damages. Consequently, few if any plaintiffs' lawyers would want to take up the case. The amounts of DEG found in various toothpastes of Chinese manufacturers have been determined not to pose significant health dangers and the FDA has not received any US reports of poisoning from toothpaste containing DEG. Given the fact that the toothpastes supplied by us are intended for one-off consumption as a guest room amenity in the hotel industry, it is unlikely to contain significant amounts of DEG. Our toothpastes will only be used on relatively few occasions by an itinerant population (as opposed to ongoing home use) and would be consumed more frequently by adults than by children. Moreover, we have promptly and responsibly recalled the problematic products making ongoing consumption unlikely. Our US legal advisers have not identified any filed cases involving hotel amenity toothpaste (or DEG contaminated toothpaste in general). Although it might be possible that one or more class action lawsuits could be filed against us, our US legal advisers are of the view that such lawsuits would face the same bleak prospects of proving injury and harm attributable to our toothpaste. Additionally, plaintiffs seeking class certification would need to establish commonality (i.e. there are questions of law or fact common to the class), which would likely prove difficult absent establishment of a typical injury at low ingestion levels.

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As to the claims from hotels, our US legal advisers are of the view that claims brought by hotels who purchase our toothpaste (either directly from us or through our distributors) are more likely than claims brought by hotel guests. The number of such claims and the potential exposure, however, are more finite. A hotel would not bring a claim for physical injury, but rather for the cost of replacing the toothpaste and, potentially, for harm to the hotel's reputation allegedly arising from having tainted toothpaste in guests' bathrooms. As our revenue from sales of dental kits with toothpaste containing DEG during the three years ended 31 December 2006 and seven months ended 31 July 2007 were minimal, approximately HK\$1.0 million, HK\$0.8 million, HK\$0.8 million and HK\$0.6 million respectively, our Directors confirmed that the cost of labour for replacing the problematic toothpaste is minimal. In addition, we have settled with the two US distributors to whom we supplied toothpaste with DEG, including the cost of replacement. Claims for injury to reputation would likely founder on the requirement that the hotel establish non-speculative injury, absent data showing that a hotel lost customers, was perceived more negatively by customers, or had to slash room rates to retain customers as a result of the removal of our toothpaste from the amenity offering. Consequently, while claims by hotels (or, more accurately in most cases, hotel management companies) are substantially more likely than claims by individual guest, it is difficult to foresee a morass of litigation in this regard.

The PRC's response

On 11 July 2007, the China General Administration of Quality Supervision, Inspection and Quarantine (中國國家質量監督檢驗檢疫局) ("PRC Quality Administration") issued a notice ("Notice") that toothpaste manufacturers are not allowed to use DEG as an ingredient. Prior to the Notice, PRC laws and regulations did not prohibit the use of DEG as an ingredient in toothpaste or have any restrictions on the amount of DEG in toothpaste. The PRC Quality Administration reiterated in the Notice China's official stance that DEG in small quantities is safe, based on tests carried out by Chinese health experts in 2000.

According to our PRC legal advisers, toothpaste containing DEG as an ingredient manufactured prior to the Notice does not violate the PRC laws and regulations. Moreover, the PRC Quality Administration did not forbid the sale of toothpaste containing DEG as an ingredient in China after publication of the Notice. Therefore, the sale in the PRC of toothpaste containing DEG ingredient manufactured prior to the publication of the Notice does not violate the Notice.

Our situation

We supply a great variety of amenity products including toothpaste to hotel, hospitality and travel industries within and outside the PRC. During the Track Record Period, we did not manufacture any toothpaste that we supplied but purchased the toothpaste mainly from eight toothpaste manufacturers in China for bottling and/or onwards distribution to our customers. Our Directors confirmed that DEG was not part of the toothpaste specifications for all sourcing orders placed with various toothpaste manufacturers during the Track Record Period. Accordingly, should we incur any claims from our customers regarding the toothpaste issue as mentioned above, we have the right and would consider taking consequential legal action in the PRC against the relevant toothpaste manufacturers to recover the loss, if any.

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Our total amount of toothpaste purchased for the three years ended 31 December 2006 were approximately HK\$8.1 million, HK\$11.7 million and HK\$21.9 million respectively. Out of which, toothpaste for export sourced from two of our toothpaste manufacturers which was found to contain DEG in aggregate accounted for approximately 17.7%, 14.1% and 10.5% respectively of our total purchases of toothpaste for the three years ended 31 December 2006.

During the Track Record Period, our sales of toothbrush and toothpaste were approximately HK\$23.5 million, HK\$32.4 million, HK\$49.5 million and HK\$25.1 million respectively, represents approximately 6.7%, 6.4%, 7.2% and 6.6% respectively of our total revenue for the relevant periods. Our toothpaste which was found to contain DEG was sold to two distributors in respect of our overseas sales including the said US distributor in the toothpaste issue as mentioned above. Our revenue from sales of dental kits with toothpaste containing DEG to these two distributors for the three years ended 31 December 2006 and seven months ended 31 July 2007 were approximately HK\$1.0 million, HK\$0.8 million, HK\$0.8 million and HK\$0.6 million, respectively.

In respect of toothpaste sold to Europe by other distributors, they were of different formula than those sold to these two US distributors. As the toothpaste products sold to hotels are disposable in nature, the inventory held by the distributors and end-user groups is minimal in order to minimise their cost of warehousing. After the release of the FDA announcement in June 2007, both we and the manufacturers of these toothpaste have engaged certified laboratories and certification institutions which are Independent Third Parties to perform laboratory tests on the content on a sampling basis which confirmed DEG contents within currently acceptable limits of FDA and EU. We were also advised by our European customers that they had performed laboratory tests which confirmed the same results. Our Directors confirmed that except for toothpaste sold to the two US distributors mentioned above we have not received any complaints or reports of toothpaste sold to Europe containing DEG over acceptable limits up to the Latest Practicable Date.

Our products including toothpaste are sourced in accordance with our customers' specifications and product samples are made by independent toothpaste manufacturers and sent randomly to customers through us for confirmation before delivery. We had supplied products based on the previous specifications provided by our customers. There had been no major return of goods nor our product quality challenged by our customers in any material aspect during the Track Record Period. In addition, as the toothpaste is disposable in nature, the inventory held by our distributors and other end-user groups should be minimal. As such, our Directors confirmed that the replacement costs for the toothpaste with DEG would not have any material impact to our financial position. Furthermore, as mentioned above, we have the right to take consequential legal action against the relevant toothpaste manufacturers in the PRC to recover the loss.

After the voluntary recall, we have settled with the two US distributors to whom we supplied toothpaste which were found to contain DEG and both of which have agreed not to claim us for any costs or damages related to the loss of brand reputation nor future sales as a result of the toothpaste incident including claims in relation to any toothpaste supplied to them before the toothpaste incident. Each of the two US distributors has countersigned its respective letter of settlement with us to confirm the terms of settlement set out therein. For

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one of the US distributors, we agreed to pay US\$370,000 to settle all its claims, losses and expenses in relation to recall and replacement of the toothpaste supplied by us including toothpaste supplied before the toothpaste incident whereby the relevant US distributor agreed to release us from any and all claims, losses and expenses related to all out-of-pocket expenses of the toothpaste recall and replacement incurred or to be incurred by it and its lost profits, lost business revenue and adverse impact on profit margin relating to the recall and replacement of toothpaste and additional products to be returned from the market. For another US distributor, we agreed to settle at US\$78,000 for its claims, losses and expenses in relation to the replacement of the toothpaste supplied by us including toothpaste supplied before the toothpaste incident. Both settlements do not include any third party product liability claims relating to the recalled toothpaste.

Our Directors confirm that, as at the Latest Practicable Date, there was no litigation or similar proceedings in relation to the toothpaste issue.

As we have settled with the two US distributors and based on the advice of our US legal advisers as set out above, we consider that the litigation risk from these two US distributors and any further loss arising from the toothpaste issue involving these two US distributors is minimal. In any event, we have made a provision in the sum of HK\$3.9 million as at 30 June 2007 to cover the potential loss including sales return and recall expenses and written off certain inventories in the same period. Our Directors are of the view that the said provision is appropriate to cover the potential loss arising from the toothpaste issue. Should the potential loss exceed the provision of approximately HK\$3.9 million, the shortfall will be covered by the indemnity provided by our Controlling Shareholders. Our Controlling Shareholders have agreed to indemnify us for all costs, liabilities or damages suffered by any member of our Group in connection with products containing poisonous and problematic ingredients sold by any member of our Group before Listing. For further details, please refer to section headed "Other Information – 1. Estate duty, tax and other indemnities" in Appendix VI to this prospectus.

We are closely monitoring the situation and taking proactive steps to work with our overseas customers to replace the problematic toothpaste in order to minimise the interruption to our customers. Our Directors consider the toothpaste issue is a single incident.

As our products are mainly for one-off consumption in hotel rooms or on board aircrafts, they were sold to our customers in bundle. The situation of the toothpaste incident might be aggravated by such a purchasing pattern of our customers. Our toothpaste and toothbrush are usually packaged and sold as a set of dental kits and when our toothpaste is found to have quality issues, our customers may cease to purchase our dental kits. It is possible that in case some of our products were subject to product recall in the future due to quality issues, our customers might stop to place orders for our other products which are sold together with the problematic products in bundle and further loss would be incurred. Nevertheless, we consider that the toothpaste issue has minimal impact on our sales. As a result of the toothpaste issue, only one of the two US distributors mentioned above ceased to purchase toothpaste but continues to purchase toothbrushes and other amenity products from us. In any event, the sales of dental kits with toothpaste containing DEG to this US distributor were minimal and amounted to approximately HK\$1.0 million, HK\$0.8 million

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and HK\$0.8 million and HK\$0.4 million respectively for the three years ended 31 December 2006 and seven months ended 31 July 2007. The other US distributor continues to purchase amenity products (including toothpaste) from us.

In fact, we continue to record strong growth of sales to our top 10 customers including the two US distributors mentioned above since the FDA announcement in June 2007. The monthly sales for our top 10 customers in July and August 2007 were approximately HK\$40.7 million and HK\$43.2 million respectively, recording a significant growth of approximately 32.1% and 40.3% as comparing to the average monthly sales to our 10 customers for the six months ended 30 June 2007 of approximately HK\$30.8 million. It shows that our sales have not been significantly affected by the toothpaste issue. Except for the US distributor mentioned above who ceased to purchase toothpaste for us, our top 10 customers continue to place new orders of amenity products, including toothpaste, with us. Therefore, our Directors believe that the toothpaste issue will not affect the relationship with our customers.

On-going compliance and other possible quality issues

Subsequent to the FDA announcement on 1 June 2007, we have implemented a new sourcing requirement for toothpaste. All toothpaste manufacturers have to confirm to us, with testing report attached, that the toothpaste produced does not contain DEG. We will require toothpaste manufacturers to provide certificates of analyse including microbiological test and product specification confirmation, DEG test reports by certified testing organisations and confirmations that DEG contents within currently acceptable limits of FDA and EU. Our own research and development department will also perform microbial testing on toothpaste purchased on a sampling basis. Our Directors considered the above procedures are adequate to mitigate the recurrence of the toothpaste issue in future. We have engaged two certification bodies, namely Specialized Technology Resources (H.K.) Ltd. (“STR”) and SGS Hong Kong Ltd. (“SGS”) both being Independent Third Parties, and may engage other similar independent testing institutions, to conduct laboratory tests on toothpaste including DEG on a quarterly and sampling basis. STR is a multinational testing institution with established history in certification and possesses laboratories in Hong Kong and other places to provide a scope of accreditation covering a wide range of international standards such as ISO. SGS has profound experience in quality services to high-level expertise in testing and inspection of products from various industries and is a certification body in diverse standards like ISO and food safety management systems. We will also continue our performance of factory audit on our suppliers (including toothpaste suppliers) to monitor their production process. Moreover, we will review our product testing to ensure compliance with all published requirements regarding product safety within and outside the PRC.

Our sourced chemical-based items are mainly toothpaste. In relation to our in-house manufactured chemical-based products (e.g. shampoo, conditioner, shower gel, lotion etc.), we will continue to exercise stringent control over their qualities. We possess an in-house laboratory and engage professional technicians to carry out various chemical and microbiological testing to ensure the quality of our chemical production. We also engage independent certification bodies to carry out separate laboratory testing on our major in-house chemical-based products on a sampling basis. The chemical-based products

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produced at our Pinghu Production Base have been assessed to be in compliance with the GMPC standard of the FDA and the Council of Europe. We review the standards and requirements of these authorities to ensure compliance of our products from time to time.

Regarding other ingredients of the toothpaste and our other chemical-based products (whether sourced from third party suppliers or manufactured in-house), our Directors confirm that they have not received any notice from the relevant authorities and/or customers in our major markets with respect to the quality or product safety issue and are of the view that we should have satisfied relevant regulatory requirements of the major markets to which our products are sold. Our Directors will monitor changes in the regulatory requirements in our major markets regularly. Moreover, as our chemical-based products are designed for one-off consumption and disposable in nature and minimal stock is held by our distributors and other end-user groups, our Directors are of the view that they are able to comply with any changes come to their attention immediately at minimal costs.

To strengthen our ability to trace the changes in the regulatory requirements in our major markets, the following policies have been or will be implemented:

- a new position of compliance officer, who will have a direct reporting line to our chairman, will be established and be taken up by Ms. Chan Yick Ning, our chemical and development manager, who will assume the responsibility of quality compliance and keep tracking of latest development in regulatory changes in different jurisdictions, in particular, the PRC, the US and the EU. Ms. Chan is a member of Hong Kong Society of Cosmetic Chemists and is often updated with periodicals containing market information especially about the new regulatory requirements in Hong Kong, the PRC, the US and the EU. A monthly report of regulatory changes, if any, will be prepared by the compliance officer and circulated to the senior management for prompt action;
- a new compliance committee, including Mr. Liu Zigang and Ms. Chan Yim Ching, our executive Directors responsible for PRC and international sales respectively, Mr. Lee King Hay, our executive Director responsible for production, and the new compliance officer, will be established and meet bi-weekly to discuss about the latest changes in regulatory requirements applicable to us and/or our products including cosmetic products, if any, through the collection of intelligence from both local and overseas customers;
- a policy and procedure manual has been written up regarding the above and approved by our chairman. We will incorporate the manual as part of our ISO documents and announce it to all staff. If there are any changes in the regulatory requirements of our major markets, we will promptly update the manual. We will also review the manual annually as part of our ISO review procedures; and
- a clause stating that the overseas distributors and end customers are responsible to ensure the stipulated product specifications are in compliance with the local regulatory requirements will be included in all sales contracts.

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In addition, we had been in the past frequently involved in the following to obtain updates about the regulatory environment worldwide and will continue to do so in future:

- Ms. Chan Yick Ning attends the annual cosmetic science conference (IN-COSMETIC conference) held in Europe every year to obtain the latest trend and regulation on cosmetic products regulations in US and EU;
- Ms. Chan Yick Ning also collects changes in regulations from the government or related organisations by visiting their websites in the relevant jurisdictions;
- We are an active member of Cosmetic Toiletries Fragrance Association (“CTFA”) in the US and are regularly updated with the latest news from CTFA. We also purchase other books and references to obtain updates on the worldwide regulations on the use of chemicals in our products i.e. which chemical can be legally used worldwide and which is banned.

Directors’ confirmation

Having considered the above including (i) the remoteness of the criminal penalties imposed by FDA; (ii) the remoteness of legal action filed by customers and end-users of our products; (iii) the potential consequential legal action that we can take against the relevant toothpaste manufacturers in the PRC; and (iv) the insignificant amount of toothpaste with DEG sold to overseas customers, our Directors confirmed the loss arising from the toothpaste issue would not have a material impact to our financial position.

Wider concerns from the toothpaste issue

The toothpaste issue gives rise to wider concerns about the quality of our products. As a one-stop service supplier, we provide a great variety of amenity products and other hotel room accessories. Our products are either manufactured in-house or sourced from third party suppliers.

In response to the toothpaste issue, as an immediate step to protect our reputation, we explained to our customers and clarified with the FDA that we did not manufacture any toothpaste in-house but sourced from third party suppliers. We were highly concerned about the situation and implemented our new sourcing requirement specifically for toothpaste and other quality assurance measures as mentioned above.

Toothpaste is the major chemical-based products we sourced from third party suppliers. For other sourced items, we will maintain our stringent system for the selection of reliable and quality suppliers. For further details, please refer to the section headed “– Raw Materials and Supplies” in this prospectus. In relation to our in-house products, we have exercised stringent quality control procedures as set out in the section headed “– Quality Control” in this prospectus. Moreover, as mentioned above, we have also implemented a number of policies, including the compilation of a policy and procedure manual, to keep track of the changes in regulatory requirements regarding product quality and safety aspects in our major markets. We will closely monitor such changes and review and adjust where applicable our quality control procedures to ensure our compliance with applicable product quality and safety laws and regulations in different jurisdictions.

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Our Controlling Shareholders have agreed to indemnify us for all costs, liabilities or damages suffered by any member of our Group in connection with products containing poisonous and problematic ingredients sold by any member of our Group before Listing. For further details, please refer to section headed “Other Information – 1. Estate duty, tax and other indemnities” in Appendix VI to this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The selected historical combined financial data set forth below have been extracted from our combined financial information for each of the three years ended 31 December 2006 and the six months ended 30 June 2006 and 2007 (the “Financial Information”), all of which is set forth in the Accountants’ Report attached as Appendix I to this prospectus. The Financial Information has been prepared on the basis set out in Section II of Appendix I to this prospectus and in accordance with the accounting policies that are in conformity with HKFRS. Investors should read these selected combined financial data together with Appendix I to this prospectus and the discussion under the paragraph headed “Results of Operations” in the “Financial Information” section.

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Income Statements

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2006</u>	<u>2007</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(Unaudited)</i>	
Revenue	350,717	507,387	687,406	313,286	383,207
Cost of sales	<u>(248,159)</u>	<u>(371,171)</u>	<u>(492,100)</u>	<u>(223,722)</u>	<u>(265,474)</u>
Gross profit	102,558	136,216	195,306	89,564	117,733
Distribution costs	(32,389)	(35,255)	(44,063)	(20,990)	(25,741)
Administrative expenses	(32,511)	(32,096)	(40,056)	(15,907)	(20,607)
Other income	<u>177</u>	<u>647</u>	<u>1,617</u>	<u>767</u>	<u>1,019</u>
Operating profit	37,835	69,512	112,804	53,434	72,404
Finance costs	(1,845)	(1,011)	(1,756)	(1,222)	(241)
Share of profit of an associated company	<u>–</u>	<u>–</u>	<u>12</u>	<u>4</u>	<u>40</u>
Profit before income tax	35,990	68,501	111,060	52,216	72,203
Income tax expenses	<u>(9,533)</u>	<u>(13,499)</u>	<u>(18,706)</u>	<u>(9,637)</u>	<u>(12,461)</u>
Profit for the year/period attributable to equity holders of the Company	<u><u>26,457</u></u>	<u><u>55,002</u></u>	<u><u>92,354</u></u>	<u><u>42,579</u></u>	<u><u>59,742</u></u>
Dividends declared	<u><u>23,000</u></u>	<u><u>35,000</u></u>	<u><u>49,000</u></u>	<u><u>15,000</u></u>	<u><u>–</u></u>

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	As at 31 December			As at
	2004	2005	2006	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2007 (HK\$'000)
Selected balance sheet data:				
Total non-current assets	98,428	110,088	120,090	130,849
Total current assets	136,424	184,976	285,510	307,498
Total assets	234,852	295,064	405,600	438,347
Total current liabilities	(140,822)	(175,605)	(240,699)	(210,639)
Total assets less current liabilities	94,030	119,459	164,901	227,708
Total non-current liabilities	(685)	(5,451)	(345)	(331)
Total equity	<u>93,345</u>	<u>114,008</u>	<u>164,556</u>	<u>227,377</u>
Net current (liabilities)/assets	<u>(4,398)</u>	<u>9,371</u>	<u>44,811</u>	<u>96,859</u>

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2007

Forecast consolidated profit attributable
to the equity holders of our Company
for the year ending 31 December 2007⁽¹⁾ not less than HK\$110.5 million

Unaudited pro forma forecast earnings per Share
for the year ending 31 December 2007⁽²⁾ HK\$0.18

Notes:

- (1) The bases and assumptions on which the profit forecast has been prepared are set out in Appendix III to this prospectus.
- (2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to the equity holders of our Company for the year ending 31 December 2007, assuming that a total of 600,000,000 Shares had been issued and outstanding for the entire year of 2007 and the Over-allotment Option and the options that may be granted under the Share Option Scheme are not exercised.

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OFFERING STATISTICS

Unless otherwise stated, the preparation of the Share Offer statistics assumes that the Over-allotment Option is not exercised. The Offer Price range of HK\$2.50 to HK\$2.98 per Share takes no account of brokerage of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.004%.

	Based on an Offer Price of HK\$2.50 per Share	Based on an Offer Price of HK\$2.98 per Share
Market capitalisation of the Shares ⁽¹⁾	HK\$1,500 million	HK\$1,788 million
Prospective price/earnings multiple ⁽²⁾	13.6 times	16.2 times
Unaudited pro forma adjusted net tangible asset value per Share ⁽³⁾	HK\$0.95	HK\$1.07

Notes:

- (1) The calculation of market capitalisation is based on the assumption that 600,000,000 Shares will be in issue immediately following completion of the Share Offer.
- (2) The calculation of prospective price/earnings multiple on a pro forma basis is based on the forecast earnings per Share on a pro forma basis at the respective Offer Price.
- (3) Unaudited pro forma adjusted net tangible asset value per Share is based on the assumption that 600,000,000 Shares will be in issue immediately following the completion of the Share Offer and an Offer Price of HK\$2.50 and HK\$2.98 respectively.

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DIVIDEND POLICY

During the Track Record Period, we declared and paid dividends of HK\$23.0 million, HK\$35.0 million and HK\$49.0 million respectively for the three years ended 31 December 2006 and nil for the six months ended 30 June 2007. All dividends declared were settled in cash.

After completion of the Share Offer, our Shareholders will be entitled to receive dividends declared by us. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant.

Final dividends, if any, on the issued Shares must be recommended by our Board and approved at our annual general meeting. In addition, the Board may declare special and interim dividends. The payment and the amount of any dividends declared will be subject to our Memorandum and Articles and the Cayman Islands Companies Law. We are entitled under our Memorandum and Articles and the Cayman Islands Companies Law to pay dividends out of distributable profits and reserves. Further details are set out in the section headed "Dividends and other methods of distributions" in Appendix V to this prospectus.

Subject to the above-mentioned, from our fiscal year ending 31 December 2007, our Directors currently intend to declare a cash dividend in an amount equivalent to approximately 40.0% of the consolidated profit attributable to equity holders of our Company for each fiscal year.

USE OF PROCEEDS FROM ISSUE OF THE NEW SHARES

Based on an Offer Price of HK\$2.74 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus), we estimate that the net proceeds from issue of the New Shares (after deducting the underwriting commissions and other estimated offering expenses paid or payable by us) will be approximately HK\$377.5 million, assuming that the Over-allotment Option is not exercised. We intend to use these net proceeds for the following purposes:

- approximately HK\$80.0 million (approximately 21.2% of the net proceeds from the Share Offer to us) is expected to be used primarily on our sales and marketing activities as follows:
 - (i) approximately HK\$50.0 million for funding or further enhancing the development of sales in North America and Europe including, but not limited to, the establishment of joint venture for supplies of amenity products and business development and/or entering into distribution agreement with our distributors or other customers. As at the Latest Practicable Date, we have not identified any specific joint venture partners;

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- (ii) approximately HK\$15.0 million for setting up new sales offices, expansion of sales network and sales to mid-range and chain budget hotels in the Greater China Region; and
- (iii) approximately HK\$15.0 million for increasing promotional and marketing activities, upgrading brand image of our self-branded products and developing new product formulations and designs;
- approximately HK\$159.0 million (approximately 42.1% of the net proceeds from the Share Offer to us) is expected to be used primarily for enhancement of our production as follows:
 - (i) approximately HK\$54.0 million for our Pinghu Production Base, out of which:
 - approximately HK\$32.0 million for the acquisition of additional production equipment to improve our production capacity for chemical-based products, as a result of which the annual production capacity of our Pinghu Production Base for chemical-based products is expected to increase by approximately 70.0% by the end of 2009 (as compared to that of 31 December 2006);
 - approximately HK\$11.0 million for the acquisition of additional production equipment to improve our production capacity for toothbrushes, as a result of which the annual production capacity of our Pinghu Production Base for toothbrushes is expected to increase by approximately 100.0% by the end of 2009 (as compared to that of 31 December 2006);
 - approximately HK\$4.0 million for the acquisition of additional production equipment to improve our production capacity for bath soaps, as a result of which the annual production capacity of our Pinghu Production Base for bath soaps is expected to increase by approximately 50.0% by the end of 2009 (as compared to that of 31 December 2006); and
 - approximately HK\$7.0 million for the acquisition of additional equipment for the logistics operations, replacement of ageing facilities and general enhancement of working environment;
 - (ii) approximately HK\$105.0 million for our Luoding Production Base or other new production sites, out of which:
 - approximately HK\$52.0 million for establishment of new production workshops and other ancillary facilities;

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- approximately HK\$31.0 million for acquisition of production equipment for the production of chemical-based products, as a result of which the annual production capacity of our Luoding Production Base or other new production sites for chemical-based products is expected to increase by approximately 100.0% by the end of 2009 (as compared to that of our Pinghu Production Base of 31 December 2006);
- approximately HK\$14.0 million for acquisition of production equipment for the production of toothbrushes, as a result of which the annual production capacity of our Luoding Production Base or other new production sites for toothbrushes is expected to increase by approximately 200.0% by the end of 2009 (as compared to that of our Pinghu Production Base of 31 December 2006);
- approximately HK\$4.0 million for acquisition of production equipment for the production of bath soaps, as a result of which the annual production capacity of our Luoding Production Base or other new production sites for bath soaps is expected to increase by approximately 40.0% by the end of 2009 (as compared to that of our Pinghu Production Base of 31 December 2006);
- approximately HK\$4.0 million for the acquisition of equipment for logistics purpose;
- approximately HK\$20.0 million (approximately 5.3% of the net proceeds from the Share Offer to us) is expected to be used primarily for enhancement of our sourcing and procurement by acquisition and/or establishment of upstream production lines of raw materials and supplies;
- approximately HK\$39.0 million (approximately 10.3% of the net proceeds from the Share Offer to us) is expected to be used primarily for repayment of short-term bank loans for working capital, which includes two bank loans from Bank of China (Hong Kong) in outstanding amounts of approximately HK\$2.2 million at an interest rate of HIBOR +1.2% per annum maturing in January 2008 and of approximately HK\$15.0 million at prime rate + 1% per annum maturing in December 2007 or one month after Listing, whichever is the earlier, and two bank loans from Bank of China, Shenzhen Branch in an aggregate outstanding amount of approximately HK\$21.8 million at interest rates of 7.23% and 7.52% per annum respectively maturing in July 2008;
- approximately HK\$55.4 million (approximately 14.7% of the net proceeds from the Share Offer to us) is expected to be used primarily as follows:
 - (i) approximately HK\$6.2 million for settlement of outstanding consideration for obtaining land use rights over a parcel of land for construction of our Luoding Production Base;

SUMMARY

- (ii) approximately HK\$15.0 million for rectification of our titles over Pinghu Land II (as defined in the section headed “Business - Properties” in this prospectus) and the building structures thereon principally for payment of land premium in the relevant land reclamation and transfer procedures; and
- (iii) approximately HK\$34.2 million for setting up logistic facilities in the Greater China Region and the Southeast Asia;
- approximately HK\$5.0 million (approximately 1.3% of the net proceeds from the Share Offer to us) is expected to be used primarily for enhancement of our management information system; and
- the balance of approximately HK\$19.1 million (approximately 5.1% of the net proceeds from the Share Offer to us) will be used to fund our general working capital.

The establishment of our Luoding Production Base mentioned above involves acquisition of land. We had entered into a land transfer agreement with the Municipal Government of Shuangdong Town, Luoding City, Guangdong Province (廣東省羅定市雙東鎮人民政府), an Independent Third Party, for the acquisition of land use rights over a parcel of land at Luoding for construction of our Luoding Production Base. Details of the piece of land are set out in Appendix IV to this prospectus.

The total consideration for land use rights over the said piece of land is approximately RMB10.0 million, of which approximately RMB3.7 million had been settled as at 30 June 2007. The outstanding consideration of approximately RMB6.3 million will be settled by applying part of the proceeds intended for establishment of our Luoding Production Base as mentioned above. We currently expect that our Luoding Production Base will be completed and commence operations in early 2009.

Concurrently, we are exploring locations other than Luoding with good potentials for establishment of our new production sites although no concrete steps have been taken nor agreements signed. In the premises, our new production facilities may not be necessarily constructed at Luoding but other locations which are beneficial to us as a whole taking into consideration factors such as cost impact on relocation, government policy in favour of manufacturing business in particular to foreign enterprises, abundance of labour and proximity to our PRC customers. In case we do not proceed with our Luoding Production Base, we would dispose of our current interest in the said piece of land originally planned for its construction. Our Directors expect that we will not incur any material losses as a result of such disposal.

Our Directors believe that the rapid growth of the PRC economy together with the hosting of the Olympic Games in Beijing in 2008 and the World Expo in Shanghai and the Asian Games in Guangzhou in 2010 will present us with attractive business opportunities in China in the foreseeable future. Moreover, besides our principal production of customised products for luxurious and high ranking hotels and international airlines, we are actively exploring the market potentials of expansion into the mid-range and chain budget hotel

SUMMARY

market in the PRC through mass production and supply of standardised and uniform amenity products. We therefore expect that there will be substantial demand for our products to utilise the increase in production capacity mentioned above.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the purpose of which is to provide incentives to the relevant participants to contribute to us and to enable us to recruit high-calibre employees and attract human resources that are valuable to us. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus.

RISK FACTORS

We believe that there are certain risks involved in our business operations and the investment in the Share Offer. A detailed discussion of the risk factors is set out in the section headed “Risk Factors” of this prospectus. These risks can be categorised as follows:

Risks relating to our business

- Some of our toothpaste supplied to US was found to contain DEG and subject to voluntary product recall by the relevant distributor
- Our production capacities may not be able to meet production demands
- We may be unable to sustain or manage our future growth
- We are dependent on certain major direct-sales customers and distributors
- We rely on distributors for the sales of our products
- Our products may contain poisonous materials or materials that are hazardous to health
- Increase in raw material prices that we are not able to pass on to our customers would reduce our profit margins
- We rely on overseas markets
- Our future growth relies on the expansion of our sales in the PRC market
- We rely on the quality of products sourced from third party suppliers
- We are exposed to currency exchange rate fluctuations
- We rely on a stable supply of labour and labour cost

SUMMARY

- Non-compliance with PRC employee social welfare contribution regulations may lead to the imposition of fines or penalties and our provisions for unpaid social welfare contributions may be insufficient
- We may not maintain sufficient insurance coverage
- Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity in relation to our products
- We may infringe or face possible infringement of licensed trademarks and other intellectual property rights
- We may experience shortage in power supply
- We may not be able to renew the tenancy agreement of our Luoding Leased Factory
- We may not be able to obtain land use rights over the piece of land for constructing our Luoding Production Base
- We and our lessor have not obtained proper title certificates of certain properties of our Pinghu Production Base and our Pinghu Existing Workshop
- We did not possess all necessary permits and licences and had not fully complied with the relevant Singaporean laws and regulations for our operations in Singapore during the Track Record Period
- We may involuntarily breach the laws and regulations in the course of sales of our products due to changes in existing relevant regulatory requirements and imposition of new ones
- We depend on certain key executives and senior management in the conduct of our business
- Our past dividends may not be indicative of our future dividend policy
- We will be controlled by the Founders, who are also our Directors, whose interests may differ from those of our other Shareholders
- Granting share options under the Share Option Scheme may dilute the earnings per Share and net assets value per Share
- Investors may face difficulties in protecting their interests because we are incorporated under Cayman Islands law and these laws may provide less protection to minority shareholders than the laws of Hong Kong
- We had net current liabilities as at 31 December 2004

SUMMARY

Risks relating to the industry

- We may face competition from existing market players and new entrants
- We may be adversely affected by downturns in hotel, hospitality and travel industries
- An outbreak of SARS, bird flu or other highly infectious diseases may adversely affect our customer orders from the hotel and airline operators as well as disrupt our operations
- We may be adversely affected by any reduction in the willingness of people to travel due to any acts or threats of terrorism
- Changes in the existing laws and regulations or additional or stricter laws and regulations on environmental protection in the PRC may cause us to incur significant capital expenditures, and we cannot assure that we will be able to comply with any such laws and regulations
- Social responsibility standards could affect our business

Risks relating to conducting operations and business in the PRC

- Political and economic environment in the PRC could affect our operations and performance
- There are uncertainties regarding the interpretation and enforcement of the PRC laws and regulations
- Fluctuations in the exchange rates of Renminbi may affect our results of operations
- Change in policy regarding tax preferential treatment in China may have an adverse impact on our profitability

Risks relating to our Shares and the Share Offer

- Sale of our Shares by us and/or our existing Shareholders in the future may affect our Share price
- There is no prior public market for our Shares
- The liquidity and market price of our Shares may be volatile
- Facts and statistics contained in this prospectus from the government official publications relating to the industry may be inaccurate
- Forward-looking statements may not be accurate
- Investors should not place any reliance on any information contained in press articles or other media coverage regarding our Group and the Share Offer

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Accountants’ Report”	the accountants’ report of PricewaterhouseCoopers addressed to the Directors and the Sponsor and set out to Appendix I to this prospectus
“Affiliate”	any other person or entity, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specified person or entity
“Application Forms”	PINK Application Form(s), WHITE Application Form(s), YELLOW Application Forms(s) and GREEN Application Forms(s) or where the context so requires, any of them relating to the Share Offer
“Articles of Association” or “Articles”	our articles of association, a summary of certain provisions of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than Saturday and Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares made upon capitalisation of certain sums standing to the credit of the special reserve account of our Company as referred to in the section headed “Further information about our Group – Written resolutions of the Shareholders” in Appendix VI to this prospectus
“Cayman Islands Companies Law”	the Companies Law (2007 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Broker Participant”	a person admitted to participate in CCASS as a broker participant

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Broker Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC” or “mainland China”	the People’s Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated) excluding Taiwan region, Macau and Hong Kong
“Company” or “our Company”	Ming Fai International Holdings Limited, a limited liability company incorporated in the Cayman Islands on 29 May 2007
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company, means Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang details of whose shareholdings are set forth in the section headed “Substantial Shareholders” in this prospectus and the section headed “Further Information about our Directors, Senior Management, Staff, Substantial Shareholders and Experts” in Appendix VI to this prospectus
“DBS Asia”, “Global Coordinator”, “Bookrunner”, “Lead Manager” or “Sponsor”	DBS Asia Capital Limited, a corporation licensed under the SFO to engage in types 1, 4, and 6 of the regulated activities (as defined under the SFO), acting as the global coordinator, bookrunner and lead manager of the Share Offer, and the sponsor to the Listing
“Director(s)”	the director(s) of our Company, or any one of them, as the context requires
“eIPO Service Provider”	Bank of China (Hong Kong) Limited

DEFINITIONS

“Europe”	mainly include Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, Denmark and United Kingdom
“EU”	European Union
“Founders” or “our Founder(s)”	Mr. Ching Chau Chung and Mr. Ching Chi Fai, both are our executive Directors and Controlling Shareholders
“Favour Power”	Favour Power Limited, a limited liability company incorporated in BVI on 29 March 2007 which is wholly-owned by Mr. Liu Zigang, our executive Director
“First Lock-up Period”	the first lock-up period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date
“Gembright”	Gembright Investments Limited, a limited liability company incorporated in BVI on 27 April 2006 which is owned as to 50% by Mr. Ching Chau Chung and 50% by Mr. Ching Chi Fai
“Greater China” or “Greater China Region”	China, Macau, Hong Kong and Taiwan region
“Group”, “our Group”, “we”, “us” or “our”	our Company and our subsidiaries or, where the context so requires, in respect of the period before we became the holding company of our present subsidiaries, our present subsidiaries or entities which carried on the business currently operated by such subsidiaries at the relevant time or (as the case may be) their predecessors
“HK\$” or “Hong Kong Dollar”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Computershare Hong Kong Investor Services Limited, our branch share registrar and transfer office in Hong Kong
“Hong Kong Offer Shares”	the 17,700,000 New Shares (including the 1,770,000 Shares initially available for subscription by eligible full-time employees in Hong Kong of our Group on a preferential basis) initially offered at the Offer Price under the Hong Kong Public Offer subject to reallocation in the section headed “Structure of the Share Offer” in this prospectus
“Hong Kong Public Offer”	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1% of the Offer Price, Stock Exchange trading fee of 0.005% of the Offer Price and SFC transaction levy of 0.004% of the Offer Price) and subject to the terms and conditions described in this prospectus and in the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer whose names are set forth in the section headed “Underwriting – Underwriters – Hong Kong Underwriters” in this prospectus
“INEDs”	the independent non-executive Directors
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with our Company and our connected persons
“International Placing”	the conditional placing of the International Placing Shares, at the Offer Price with professional, institutional and other investors by the International Placing Underwriters on our behalf and on behalf of the Selling Shareholders as described in the section headed “Structure of the Share Offer” in this prospectus

DEFINITIONS

“International Placing Shares”	the 159,300,000 Shares (comprising 132,300,000 New Shares and 27,000,000 Sales Shares) initially offered at the Offer Price pursuant to the International Placing together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option, subject to reallocation in the section headed “Structure of the Share Offer” in this prospectus
“International Placing Underwriters”	the underwriters of the International Placing whose names are set forth in the section headed “Underwriting – Underwriters – International Placing Underwriters” in this prospectus
“Issuing Mandate”	the general unconditional mandate given to our Directors by our Shareholders relating to the issue of new Shares, particulars of which are set forth in section headed “Written resolutions of the Shareholders” in Appendix VI to this prospectus
“Latest Practicable Date”	12 October 2007, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing”	listing of our Shares on the Main Board
“Listing Committee”	the sub-committee of the board of directors of the Stock Exchange responsible for listing
“Listing Date”	the date of commencement of dealings in our Shares on the Main Board, which is expected to be on or about Friday, 2 November 2007
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
“Luoding Leased Factory”	our existing production facilities located at a leased factory building at No. 1 Gongye Road, Luochengzhen, Luoding City, Guangdong Province, the PRC operated by Luoding Quality Amenties
“Luoding Production Base”	our production base to be constructed on a piece of land at Shuangdong Town, Luoding City, Guangdong Province, the PRC

DEFINITIONS

“Luoding Quality Amenities”	Luoding Quality Amenities Company Limited (羅定市品質旅遊用品有限公司), a limited liability company incorporated in the PRC on 1 August 2006 and an indirect wholly-owned subsidiary of our Company
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange (for avoidance of doubt, the Main Board excludes the Growth Enterprise Market)
“Memorandum of Association” or “Memorandum”	our memorandum of association as currently adopted
“Ming Fai Asia Pacific”	Ming Fai Asia Pacific Company Limited (formerly known as Ming Fai Group Holdings Limited), a limited liability company incorporated in Hong Kong on 15 May 2002 and an indirect wholly-owned subsidiary of our Company
“Ming Fai Holdings”	Ming Fai Holdings Limited, a limited liability company incorporated in BVI on 8 May 2007 and a wholly-owned subsidiary of our Company
“Ming Fai Enterprise”	Ming Fai Enterprise International Company Limited, a limited liability company incorporated in Hong Kong on 9 May 2001 and an indirect wholly-owned subsidiary of our Company
“Ming Fai Plastic”	Ming Fai Plastic Enterprise Company Limited, a limited liability company incorporated in Hong Kong on 7 December 2006 and an indirect wholly-owned subsidiary of our Company
“Ming Fai Shenzhen”	Ming Fai Enterprise (Shenzhen) Company Limited (明輝實業(深圳)有限公司), a limited liability company incorporated in the PRC on 7 September 1992 and an indirect wholly-owned subsidiary of our Company
“New Shares”	a total of 150,000,000 new Shares being offered by our Company under the Share Offer (assuming the Over-allotment Option is not exercised)

DEFINITIONS

“North America”	the United States and Canada
“Offer Price”	the final Hong Kong dollar price per Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be sold, to be determined as further described in the section headed “Structure of the Share Offer – Pricing and Allocation” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares
“Over-allotment Option”	the option to be granted by us to DBS Asia subject to the terms and conditions of the Placing Underwriting Agreement pursuant to which we may be required to issue up to an additional aggregate of 26,550,000 Shares (representing 15% of the Shares initially being offered under the Share Offer) to cover over-allocations in the International Placing, details of which are set forth in the section headed “Structure of the Share Offer” in this prospectus
“Pacific Harvest”	Pacific Harvest International Limited, a limited liability company incorporated in Hong Kong on 23 March 2006 and an indirect wholly-owned subsidiary of our Company
“Pacific Plus”	Pacific Plus Limited, a limited liability company incorporated in BVI on 29 March 2007 which is wholly-owned by Mr. Ching Chau Chung, our executive Director and Controlling Shareholder
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of China
“PBOC Rate”	the exchange rate for foreign exchange transactions published daily by PBOC
“Pinghu Existing Workshop”	our workshop located at Nijiukeng, Hediling, Bainikeng Village, Pinghu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC
“Pinghu Production Base”	our major existing production base located at Hediling, Bainikeng Village, Pinghu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC operated by Ming Fai Shenzhen

DEFINITIONS

“Placing Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date, between, amongst others, our Company, the Selling Shareholders, the Controlling Shareholders, DBS Asia and the International Placing Underwriters in respect of the International Placing
“Price Determination Agreement”	the agreement expected to be entered into between our Company (for itself and on behalf of the Selling Shareholders) and DBS Asia (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or before Thursday, 25 October 2007 but in any event not later than 12:00 noon on Wednesday, 31 October 2007, on which the Offer Price will be fixed for the purposes of the Share Offer
“Prosper Well”	Prosper Well International Limited, a limited liability company incorporated in BVI on 2 April 2007 which is wholly-owned by Mr. Ching Chi Fai, our executive Director and Controlling Shareholder
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 18 October 2007 relating to the Hong Kong Public Offer and entered into between, amongst others, our Company, the Controlling Shareholders, DBS Asia and the Hong Kong Underwriters
“QAS HK”	Quality Amenities Supply Limited, a limited liability company incorporated in Hong Kong on 18 June 2003 and an indirect wholly-owned subsidiary of our Company
“QAS Malaysia”	Quality Amenities Supply (M) Sdn. Bhd., a limited liability company incorporated in Malaysia on 28 September 2005 and owned as to 50% by QAS HK. It is an associated company of our Company
“QAS Singapore”	Quality Amenities Supply Pte. Ltd., a limited liability company incorporated in Singapore on 9 February 2004 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Relevant Securities”	any of the Shares or any securities of our Company convertible into or exercisable or exchangeable for, or that represent the right to receive such Shares or securities
“Reorganisation”	the reorganisation undergone by us in preparation for the Listing as described in the section headed “Reorganisation” in Appendix VI to this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set forth in the section headed “Further Information about our Group – Written resolutions of the Shareholders” in Appendix VI to this prospectus
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SARS”	Severe Acute Respiratory Syndrome (Atypical Pneumonia)
“SFC”	the Securities and Futures Commission in Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Sale Shares”	a total of 27,000,000 Shares to be offered for purchase by the Selling Shareholders at the Offer Price under the International Placing, excluding Shares which may be sold pursuant to the exercise of the Over-allotment Option
“Second Lock-up Period”	the second lock-up period of six months commencing on the date on which the First Lock-up Period expires
“Selling Shareholders”	Prosper Well, Pacific Plus, Targetwise and Favour Power, whose particulars appear in the section headed “Other information – Particulars of the Selling Shareholders” in Appendix VI to this prospectus
“SGD”	Singaporean dollars, the lawful currency of Singapore
“Shares” or “our Shares”	the shares of par value HK\$0.01 each in our capital, for which an application has been made for listing and permission to deal on the Main Board, and which are subscribed for and traded in Hong Kong dollars
“Shareholder(s)”	holder(s) of our Shares

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally approved and adopted by us on 5 October 2007, a summary of the principal terms of which is set forth in the section headed “Share Option Scheme” in Appendix VI to this prospectus
“Share Offer”	the Hong Kong Public Offer and the International Placing
“Stock Borrowing Agreement”	the stock borrowing agreement entered into between Prosper Well and the Global Coordinator on 18 October 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchase, as amended, supplemented or otherwise modified from time to time
“Targetwise”	Targetwise Trading Limited, a limited liability company incorporated in BVI on 15 March 2007 which is owned as to 50% and 50% respectively by Mr. Ching Chi Keung and Ms. Chan Yim Ching, our executive Directors
“Track Record Period”	the period comprising the prior three financial years ended 31 December 2006 and the six months ended 30 June 2007
“Underwriters”	the International Placing Underwriters and the Hong Kong Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“United States” or “US”	the United States of America, including its territories and possessions
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“US Exchange Act”	the US Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder

DEFINITIONS

“US Person”	has the meaning ascribed to it in Regulation S under the US Securities Act
“US Securities Act”	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“White Form eIPO”	applying for Hong Kong Offer Shares to be issued in your own name by submitting applications online through the designated website of the eIPO Service Provider at www.eipo.com.hk

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option.

Unless otherwise specified, amounts denominated in Renminbi, US dollars and Hong Kong dollars have been translated, for the purpose of illustration only, in this prospectus at the following rates:

<i>RMB1.00</i>	<i>:</i>	<i>HK\$0.99</i>
<i>US\$1.00</i>	<i>:</i>	<i>HK\$7.80</i>

No representation is made that any amounts in Renminbi, US dollars and Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or at any other rates or at all.

The English names of the PRC entities are translated from their Chinese names. In the event of any inconsistency between the Chinese names of the PRC entities mentioned in this prospectus and their English translations, the Chinese version shall prevail.

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“amenity” or “amenity products”	products that conduce comfort, convenience, or enjoyment
“AQL”	assurance quality level
“CAGR”	compound annual growth rate
“DEG”	diethylene glycol
“ERP System”	enterprise resource planning system
“European Standards”	are voluntary Europe-wide agreements that set out criteria for manufactured products. These can be used to demonstrate that products are fit for purpose, safe, comparable and compatible with EU safety laws. European Standards are developed by three organisations, the most relevant of which is European Committee for Standardisation which deals with all sectors other than electro technology and telecommunications
“FDA”	the Food and Drug Administration of the United States
“FLEX” and “FLEX-side”	the management information systems used by our Group for coordination of our financial accounting, sourcing, sales, and logistics functions
“GDP”	gross domestic product
“GMP”	Good Manufacturing Practice, being a system for ensuring that products are consistently produced and controlled according to quality standards
“GMPC”	GMP for cosmetic products
“ISO9001”	the certification for an internationally recognised standard for quality management
“ODM”	original design manufacturing under which the manufacturer owns the design of the products which are sold under the customers’ brand names

GLOSSARY

“OEM”	original equipment manufacturing under which the products are manufactured in whole or in part in accordance with a customer’s specifications and are marked under the customer’s own brand name
“PMC”	planning and material control
“PSM” and “PSM biodegradable materials”	plastarch material, a biodegradable and thermoplastic resin which is composed of modified cornstarch combined with other biodegradable materials
“soap noodles”	raw materials for making soaps which are derived from palm oil and other oils and may sometimes be referred to as sodium soap of fatty acid (in Europe) and fatty acid sodium salt (in the United States)
“sodium laureth sulphate”	a detergent and surfactant found in personal care products such as bath gels, shampoos, liquid soap etc.

RISK FACTORS

You should carefully consider all the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. Our business, financial condition or results of operations could be affected materially and adversely by any of these risks. The trading price of our Shares could decline due to any of these risks and you may lose all or part of your investment.

You should pay particular attention to the fact that we primarily conduct our operations in China and are governed by a legal and regulatory environment that in some respects differs significantly from the environment that may prevail in other jurisdictions with which you may be familiar.

The information below does not purport to be exhaustive. Additional risks and uncertainties not presently known to our Directors, or not expressed or implied below, or that our Directors currently deem immaterial, may also have an adverse effect on our business. Investors should consider carefully whether an investment in the Offer Shares is suitable for them in light of the information in this prospectus and their personal circumstances.

RISKS RELATING TO OUR BUSINESS

Some of our toothpaste supplied to US was found to contain DEG and subject to voluntary product recall by the relevant distributor

Product recall risk

During the Track Record Period, we sourced toothpaste from various toothpaste manufacturers in the PRC. Some of the toothpaste supplied by certain third party suppliers to two of our US distributors was found to contain DEG, a poisonous chemical used in antifreeze and as a solvent agent, and a voluntary recall of the toothpaste had been made by one of the two US distributors. For further details of the incident, please refer to the section headed “Business – Toothpaste DEG Issues” in this prospectus. Our products including toothpaste are subject to compliance with the relevant regulations of FDA or other regulatory authorities in the relevant countries. As these regulations or compliance standards may change in future, we might have to incur further costs in undergoing our own recalls or reimbursing the recall and replacement costs incurred by our relevant distributors in the future.

Litigation risk

As a result of the toothpaste issue, it is possible that we may be subject to a large number of litigations particularly in the highly litigious environment such as the US. Claims may come from end-users of our products at hotel rooms by way of individual or class actions, hotel operators and our distributors.

We have already settled with our two US distributors in the toothpaste issue for the claims, losses and expenses relating to the recall and replacement of the toothpaste supplied by us to these US distributors. Both settlements do not include any third party product liability claims relating to the recalled toothpaste. Conceivably, a hotel chain could also assert a claim against the said US distributor on similar theories, and the distributor could, in turn, bring us into the dispute and attempt to saddle us with the responsibility for satisfying the hotel chain’s asserted damages. Individual consumers may also bring suit

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against us if they were found to have ingested some of the toothpaste and could show that the toothpaste in question contained DEG and that the DEG caused some identifiable health problem. There is no guarantee that we would be fully and adequately indemnified from the relevant toothpaste manufacturers in the PRC against any possible loss and damages as a result taking into account the PRC legal environment and the unknown financial position of the relevant manufacturers to meet our claims. In addition, the litigations may become very time-consuming and distract our management from our normal business and operations.

We cannot quantify the maximum amount of potential claims from our customers or end-users of our products that might be faced by us under the worst case scenario. The number of claims that we might face could be huge and our potential exposure could be infinite and unpredictable. If the situation realised, there would be material adverse impact on our financial performance and operations. For further details regarding the opinion of our US legal advisers, please refer to the section headed “Business – Toothpaste DEG Issues – US Legal Opinion” in this prospectus. Our Controlling Shareholders have agreed to indemnify us for all costs, liabilities or damages suffered by any member of our Group in connection with products containing poisonous and/or problematic ingredients sold before the Listing. For further details, please refer to section headed “Other Information – 1. Estate duty, tax and other indemnities” in Appendix VI to this prospectus.

Business risk

Our toothpaste which was found to contain DEG was sold to two US distributors. As a result of the toothpaste incident, one of them ceased to purchase toothpaste from us. It is possible that our other customers may also cease to place orders or reduce the amounts of their orders for our toothpaste and/or other products resulting in loss to our sales. The situation might be aggravated by the purchasing pattern of our customers to purchase in bundle. For instance, orders are usually placed for toothpaste and toothbrush as a set of dental kits and when our toothpaste is found to have quality issues, our customers may cease to purchase our dental kits. It is possible that in case some of our products were subject to product recall in the future due to quality issues, our customers might stop to place orders for our other products, whether or not these products are sold together with the problematic products in bundle and further loss would be incurred. We may need to write off certain of our inventory including both raw materials sourced from third party suppliers and/or products already processed by us and ready to supply to customers. For those products which have already been supplied to our customers, we may have to recall them which incur extra costs and further loss to us. We may also suffer loss in our reputation. Our ability to provide a comprehensive range of products may also be adversely affected if our toothpaste and/or other products are subject to quality problems. We have made a provision in the sum of HK\$3.9 million as at 30 June 2007 to cover the potential loss including sales return and recall expenses and written off certain inventories in the same period. There is no assurance that the said provision is sufficient to meet any future claims from our customers and end-user groups of our products.

The toothpaste issue raised wider concerns about the general quality of our products. We cannot guarantee that our products will not be subject to other quality problems in the future. It may be because of our own failure to maintain sufficient quality control over our operations or as a result of imposition of new or changes in existing product safety and

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quality regulatory requirements in different jurisdictions. In any event, if our products particularly sales of those which have substantial contribution to our revenue were found to have quality problems and subject to product recalls and other problems similar to those happened in the toothpaste issue, our sales and profitability would be adversely affected.

Apart from toothpaste, a number of Chinese products such as toys have also been subject to recalls in the US and other countries recently. In view of the great variety of amenity products and other hotel room accessories that we supply, we cannot guarantee that our products will not be subject to recalls and other regulatory prohibition in the future. In such case, our profitability, operations and reputation will be adversely affected.

Our production capacities may not be able to meet production demands

Since our Luoding Leased Factory only commenced operations in September 2006, substantially all products manufactured by us during the Track Record Period were produced at our Pinghu Production Base with a small part of production carried out at our Pinghu Existing Workshop or outsourced to third party manufacturers.

For the year ended 31 December 2006, our Pinghu Production Base had an estimated production capacity of approximately 80.2 million pieces, 55.3 million pieces, 190.8 million pieces, 157.2 million pieces and 9.6 million pieces for shower caps, toothbrushes, chemical-based products, bath soaps and sewing kits, respectively. The overall utilisation rate of our Pinghu Production Base for shower caps, toothbrushes, chemical-based products, bath soaps and sewing kits were approximately 96.2%, 77.8%, 91.0%, 63.6% and 83.5% for the year ended 31 December 2006.

In anticipation of our business expansion, we have been taking proactive steps to increase productivity at our Pinghu Production Base, particularly for those products which in our Directors' view command higher returns for us, by various measures including the relocation of the labour-intensive production processes to our Luoding Leased Factory and the adoption and enhancement of automation processes. There is however no assurance that these measures, which could only be implemented in phases, would be able to effectively and fully satisfy increasing demands for our amenity products, and any automation process could be achieved smoothly. Although we can outsource part of our production to third party manufacturers, we cannot assure the quality and timely delivery of such products, which may prejudice our market position. To the extent that our production capacities fail to meet production demands, we may lose business and thus jeopardising our reputation, financial results and our expansion plans.

We may be unable to sustain or manage our future growth

Our business has been expanding during the Track Record Period. Our revenue and net profit increased from HK\$350.7 million and HK\$26.5 million respectively for the year ended 31 December 2004 to HK\$507.4 million and HK\$55.0 million respectively for the year ended 31 December 2005, and further increased to HK\$687.4 million and HK\$92.4 million respectively for the year ended 31 December 2006. Such increases represent CAGRs of approximately 40.0% and 86.7% respectively. For the six months ended 30 June 2007, our revenue and net profit were HK\$383.2 million and HK\$59.7 million respectively, which

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represent increases of approximately 22.3% and 40.1% respectively from the same period in 2006. Our Directors attribute such growth to an increase in our product sales, which was achieved through a number of factors such as increase in product demands resulting from the booming hotel and travel industries as well as our strategic focus on our niche market segment, quality products, broad range of product varieties, design and customisation capabilities, distribution and logistics networks and after-sales services.

Our Directors believe that our future success will largely depend on our ability to implement our business strategies to strengthen our foothold as an amenity supplier to the hotel, hospitality and travel industries, expand our product offerings, expand into the mid-range and chain budget hotel market in China, and streamline and enhance our business operations and production processes. However, there is no assurance that any such plans will be successful or materialised. In particular, the successful implementation of our business strategies may be affected by a number of factors, which may or may not be within our control. Such factors include, but not limited to:

- whether the hotel, hospitality and travel industries, particularly in China, will continue to grow at a pace anticipated by our Directors, and whether we will be able to timely and effectively capture the opportunities associated with such growth
- the level of competition arising from other amenity manufacturers, in particular other PRC-based manufacturers with larger size of production, lower costs of production and more advanced production technologies, and international amenity distributors with substantial financial backing and business network
- our ability to manage our business growth strategically and cost-effectively as well as our ability to cope with any increase in product demands
- our ability to enhance our design and customisation capabilities in response to changes in customer preferences
- our ability to secure suitable and reliable quality suppliers to expand our product offerings
- the availability of funds to finance our strategic plans

There is no assurance that we will be successful in managing any such risks or factors. Our growth is also dependent on the continued development of our operating and financial controls, which may entail devising and effectively implementing business plans, training and managing our growing workforce, managing costs and implementing adequate control and reporting systems in a timely manner. This may also place strains on our management information systems. To the extent that we are unable to carry out our future plans effectively, our business prospects may be adversely affected.

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We are dependent on certain major direct-sales customers and distributors

Our products are sold either by direct sales to our customers of mainly hotel and airline operators or to wholesale distributors and trading companies supplying other end-user groups. The direct-sales model mainly applies in the markets of the Greater China Region and Southeast Asia with certain local small scale distributors in the PRC which supply amenity products to various local end-user hotels beyond our direct-sales coverage in the PRC, while the distributorship-sales model mainly applies in other overseas markets. For each of the three years ended 31 December 2006 and six months ended 30 June 2007, our five largest customers, of which four are wholesale distributors and trading companies, accounted for approximately 32.2%, 31.0%, 34.4% and 33.5% of our total turnover respectively. For the same periods, our largest customer accounted for approximately 13.4%, 16.0%, 11.1% and 13.8% of our total turnover respectively. We are therefore significantly dependent on our top five customers.

We have not entered into any long-term sales agreement or commitment with our major customers. There is no assurance that such customers will continue to purchase or maintain their purchase volumes of our products in the future. The demand for our products by such customers and other customers may change due to a number of factors, some of which may be outside our control such as changes in their businesses, personnel and sourcing policies and, for our wholesale distributor and trading companies customers, their own contractual relationships with the end-user groups of hotel and airline operators. In the event that any of our customers cease to purchase from us or reduce the purchase volume of orders placed with us and we are unable to obtain replacement orders, our business and profitability may be adversely affected.

We rely on distributors for the sales of our products

Our products are sold to overseas markets other than the Greater China Region and Southeast Asia mainly through wholesale distributors and trading companies supplying other end-user groups. We also have certain small scale local distributors in the PRC which supply amenity products to various local end-user hotels beyond our direct-sales coverage in the PRC. Our distributorship sales accounted for approximately 81.2%, 80.3%, 77.4% and 75.8% of our revenue for the three years ended 31 December 2006 and the six months ended 30 June 2007. For further details about our distributorship sales, please refer to the section headed “Business – Sales and Marketing” in this prospectus.

We have no control over such distributors. We may not receive timely feedback in respect of sales information through our distributors. It is possible that our distributors may stuff up inventories for future demand and we may appear to be growing.

There is no assurance that we will be able to maintain business relationship with our distributorship-sales customers. If a significant number of our distributorship-sales customers cease to purchase our products and we are unable to find suitable replacement distributors or other customers, our business and results of operations will be adversely affected.

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Our products may contain poisonous materials or materials that are hazardous to health

We supply a great variety of amenity products including a large number of chemical-based products. Some of our products, particularly products which are sourced from third party suppliers, may contain poisonous materials or materials that are hazardous to health. Moreover, product safety regulations vary in different jurisdictions to which we supply our products. Some products may be deemed to contain poisonous materials according to regulatory standards of certain jurisdictions.

In case any of our products are found to contain poisonous materials or materials that are hazardous to health in any of our markets, those products may be banned from importing into those markets or subject to product recall if already entered into the markets. To the extent that such products violate relevant regulatory requirements, we may be susceptible to criminal sanctions. We may also be subject to claims and lawsuits filed by our customers for their loss in sales, profits and reputation due to the product banning and recall. Individual consumers may also bring suit against us for consumption of these products causing identifiable health problems. Our sales, profits and reputation will be adversely affected as a result.

Increase in raw material prices that we are not able to pass on to our customers would reduce our profit margins

The principal raw materials used in our production include plastics, soap noodles, papers and sodium laureth sulphate, which may be subject to substantial price volatility and periodic shortages caused by external conditions, such as fluctuations in commodity prices and foreign exchange.

There is no guarantee that our raw material costs will be stable in the future. We do not enter into long-term supply contracts nor do we hedge against fluctuations in our raw material costs. To the extent that we are unable to cover any increased raw material costs by either reductions in other production costs or increases in our product prices, our profits will be adversely affected.

We rely on overseas markets

Since the commencement of our business, we have derived a significant portion of our revenue from sales to North America and Europe, which accounted for approximately 44.5% and 20.3%, 41.5% and 18.9%, 38.4% and 24.8%, and 38.3% and 22.2% of our total revenue for the three years ended 31 December 2006 and the six months ended 30 June 2007, respectively. Although we are extending our sales network within the PRC market and other overseas markets, any significant change in the economic or political conditions of the North American and European markets may adversely affect our sales and profitability.

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Our future growth relies on the expansion of our sales in the PRC market

Whilst we derived a majority of our revenue from our sales to overseas markets during the Track Record Period, our Directors believe that the rapid growth of the PRC economy together with the hosting of the Olympic Games in Beijing in 2008 and the World Expo in Shanghai and the Asian Games in Guangzhou in 2010 will present us with attractive business opportunities in China in the foreseeable future.

Moreover, as part of our strategic plans, we intend to expand into the mid-range and chain budget hotel market in China through mass production and supply of standardised and uniform amenity products.

We cannot assure that the hotel, hospitality and travel industries in China will continue to grow at a pace anticipated by our Directors, or we will be able to timely and effectively capture the opportunities associated with such growth. Moreover, there is no assurance that our strategic plan of expanding our sales in the PRC market will be successful. In case our growth in the PRC market cannot be sustained at a pace as anticipated or at all, our future growth and business prospects will be adversely affected.

We rely on the quality of products sourced from third party suppliers

We source certain semi-finished accessories or components and finished products (including wooden products such as wooden clothes hangers, pens, socks, toothpaste and leatherware etc) from third party suppliers for further processing and customisation in accordance with the specifications and requirements of our customers. Sales of these products accounted for approximately 9.1%, 8.7%, 9.1% and 8.8% of our total turnover for the three years ended 31 December 2006 and the six months ended 30 June 2007, respectively.

Although we have established such selection criteria and other quality control procedures, we are inherently not able to monitor or manage our suppliers' performance as directly and efficiently as compared with our own operations and hence there is no assurance that such sourced products will meet our customers' and end-user groups' expectations or the regulatory requirements of the markets to which our products are sold. To the extent that such products are substandard or violate relevant regulatory requirements, we are susceptible to claims and lawsuits filed by our own customers and/or end-user groups and/or criminal sanctions and thus exposed to associated risks in terms of reputation, business and financial liabilities as well as loss of customers. Although we may return the substandard products to the third party suppliers and claim for any loss incurred, no assurance could be given that we would be completely and adequately indemnified.

We are exposed to currency exchange rate fluctuations

A majority of our products are sold to the overseas markets, mainly North America and Europe, which accounted for approximately 64.8%, 60.4%, 63.2% and 60.5% of our revenue for the three years ended 31 December 2006 and the six months ended 30 June 2007, respectively. Our turnover is therefore mainly denominated in foreign currencies other than Renminbi. On the other hand, with our production operations in China, about half of our

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raw material and supplies costs as well as a majority of our expenses (including our labour costs and overhead expenses) are principally denominated in Renminbi. As we have not adopted any hedging policy against foreign exchange fluctuations, our profitability may be adversely affected by any appreciation in value of Renminbi. During the Track Record Period, we suffered exchange losses of approximately HK\$749,000, HK\$1,955,000, HK\$4,786,000 and HK\$1,312,000, respectively.

We rely on a stable supply of labour and labour cost

Our production remains highly labour-intensive. As at 30 June 2007, we had approximately 3,593 employees in our production team out of our total 4,258 employees. For the three years ended 31 December 2006 and the six months ended 30 June 2007, the cost of labour amounted to HK\$37.8 million, HK\$51.3 million, HK\$70.7 million and HK\$39.6 million respectively, which accounted for approximately 15.2%, 13.8%, 14.4% and 14.9% of our total cost of sales.

There is no guarantee that our supply of labour and average labour cost will be stable. In the event that we fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with sudden increase in demand for our products or with our expansion plan and/or there is a significant increase in the cost of labour, we may not be able to manufacture products on schedule and our operation and profitability may be adversely affected.

Non-compliance with PRC employee social welfare contribution regulations may lead to the imposition of fines or penalties and our provisions for unpaid social welfare contributions may be insufficient

According to the Labour Laws of the PRC (《中華人民共和國勞動法》) and other rules and regulations in relation to social insurance in China, Ming Fai Shenzhen and Luoding Quality Amenities shall attend to basic pension insurance, basic medical insurance, unemployment insurance, job-related injury insurance and maternity insurance (“Social Insurances”) according to laws. We may also be required to make housing provident fund contributions for our employees according to applicable PRC laws and regulations.

Ming Fai Shenzhen has not made full contributions of the Social Insurances in accordance with the relevant legal requirements. Currently, relevant local administration for labour and social insurance in charge have not issued any reminder or directive to us to remedy the non-contribution situation. Should the local authorities require such contributions in the future and we fail to do so within a stipulated time, we have to pay a 0.2% overdue penalty in addition to the unpaid contributions and our management and other persons with direct responsibilities of our Group may be fined to a maximum of RMB10,000. In respect of employees of Ming Fai Shenzhen as at 30 June 2007, unpaid contributions amounted to approximately RMB24.0 million for which we had made relevant provisions in our accounts. In respect of resigned employees of Ming Fai Shenzhen during the Track Record Period, the amount of unpaid Social Insurance contributions is approximately RMB7.7 million. If we failed to remedy the non-compliance situation within the limitation period upon request by

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the relevant authorities, the maximum amount of overdue penalty that we would have to pay would be approximately RMB63,400, being 0.2% of RMB31.7 million which is our total unpaid Social Insurance contributions for both our employees and ex-employees.

Moreover, pursuant to the Regulations for the Housing Provident Fund Contributions (《住房公積金管理條例》) (the “Regulations”) promulgated by the State Council in 2002, newly established enterprises shall make housing provident fund registration with the relevant housing provident fund management centre within 30 days from the date of their establishment and open housing provident fund accounts with their entrusting bank for their employees with the relevant documentation issued by the housing provident fund management centre within 20 days from the date of its establishment. Based on the understanding of our PRC legal advisers with the responsible bodies of the Yunfu Housing Provident Fund Management Centre (雲浮市住房公積金管理中心), enterprises within the jurisdiction of Yunfu City (including Luoding City) shall make contributions arrangement for housing provident fund according to the applicable provisions of the Regulations. Luoding Quality Amenities has not made full contributions of the housing provident funds. The amount of outstanding housing provident fund contributions was approximately HK\$110,000 as at 30 June 2007.

According to the Regulations, relevant housing provident fund management centres may order enterprises to pay outstanding housing provident fund contributions within a prescribed time limit. If an enterprise fails to make payment within the prescribed time, it will be fined for a penalty between RMB10,000 to RMB50,000. Accordingly, if at any time the relevant authorities ordered payment of the outstanding housing provident fund contributions and Luoding Quality Amenities should fail to pay in time, it may face the above-mentioned administrative punishment.

For further details, please see the section headed “Directors, Senior Management and Employees – Employees – Social Welfare” in this prospectus. Although we have not received any orders to rectify the non-compliance, we can give no assurance that we will not be subject to such an order in the future.

We have made provisions in the sum of RMB24.0 million as at 30 June 2007 in our accounts for the above non-compliance with the Social Insurances contributions. This amount does not take into account any delinquency payments or fines. This amount also does not cover any unpaid Social Insurance contributions of approximately RMB7.7 million relating to the resigned employees of Ming Fai Shenzhen during the Track Record Period. We have made provisions in the sum of HK\$110,000 as at 30 June 2007 in our accounts for the non-contributions to the housing provident fund. There is no assurance that the said provisions are sufficient to meet any future claims from our employees and/or ex-employees for our unpaid social welfare contributions.

We can give no assurance that there are no such claims or that such claims will not be brought against us in the future, and that we will not be required to pay such contributions or any related damages in the future. Any imposition of fines or other penalties could adversely affect our profits and operations.

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We may not maintain sufficient insurance coverage

We maintain insurance coverage for our material assets. During the Track Record Period, we have not made any claims on such policies and we have not experienced any material increase in insurance premium. No assurance can be given that our insurance coverage is sufficient or that we will not experience any material increase in insurance premium in the future. To the extent that we incur losses that are not covered by our insurance policies or that we are forced to pay higher insurance premium, our financial position may be adversely affected.

Moreover, we do not maintain any insurance coverage for our operation risks. We maintain a large production operation at our production facilities in China. We have a wide range of manufacturing activities and could in the future experience fires, electricity blackouts or other industrial accidents at our production bases, which may result in a suspension of our operations. As we are not insured against operation risks, any of the foregoing events could have a material adverse effect on our financial condition and the results of our operations.

Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity in relation to our products

No assurance can be given that our products are suitable for all end users and customers or that they are not susceptible to product liability claims. Moreover, we engage in OEM production of chemical products based on product formulations specified by our customers. We cannot guarantee the product formulations provided by our customers are suitable for all users of such daily chemical products. Our Directors believe that we have maintained adequate product liability insurance to cover such risk as compared with our peers in the industry, but there is no assurance that such insurance coverage is sufficient to cover all possible claims. To the extent that product liability claims are brought against us (regardless of merit) or that our product liability insurance coverage shall be proven to be insufficient, our reputation, business and financial position may be adversely affected.

We may infringe or face possible infringement of licensed trademarks and other intellectual property rights

Possible infringement by us

It is possible that we may inadvertently infringe the intellectual property rights of others and face liabilities for such infringements in the course of carrying on our business. We manufacture products under our customers' brands and/or based on designs and formulations specified by our customers. We cannot guarantee that our customers have not themselves infringed the intellectual property rights of other third parties in respect of these brands, designs and formulations. We, in our capacity as a manufacturer, may attract liability for such infringement including monetary damages and be required to stop further production of the infringing products or other sanctions. Our reputation, business, operations and financial condition may be adversely affected.

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Uncertain protection of our own trademarks and other intellectual property rights

Our principal intellectual property rights are our own trademarks including “*Essence d’Orient*”, “*Rose Magnifique*”, “*Nobility*” and “*Ming Fai*” and our licensed trademarks of “*Santa Barbara Polo & Racquet Club*” (licensed from John Lam & Associates Company Limited), “*Baronessa Cali Oliva and Tarocco*” and “*Natiura U*”, as well as patents over our product designs and our production know-how. We are susceptible to third parties’ infringement of our intellectual property rights and there is no assurance that third parties will not copy or otherwise obtain and use our intellectual property rights without authorisation.

We have registered the trademarks and patents referred to in the section headed “Intellectual property rights” in Appendix VI to this prospectus. However, it is not possible for us to comply with, and seek every clearance under, the relevant laws of all possible jurisdictions for the protection and enforceability of our intellectual property rights and there is no assurance that such registrations can completely protect us against any infringement or keep us away from any challenge by our competitors or other third parties. When necessary, we may have to expend a significant amount of financial resources to assert, safeguard and/or maintain our intellectual property rights. In the event that our intellectual property rights cannot be enforced against the infringement by our competitors or other third parties, our business, marketing plan and profitability could be adversely affected.

We may experience shortage in power supply

Our production processes require and are dependent on a stable electricity supply. Given the increasing electricity demand in China amidst limited supply, particularly in the industrial area of Shenzhen, power shortages or suspensions are not uncommon. We occasionally experienced power shortages to our production facilities in China during the Track Record Period. Any power surge or outage could disrupt or even result in suspension of our production process and thereby adversely affect our production yield, product delivery and hence our profitability. Although we have installed back-up power generators, we cannot give any assurance that we can maintain a sufficient and steady electricity supply for our production processes. To the extent that we are not able to do so, our reputation, business and financial position may be adversely affected.

We may not be able to renew the tenancy agreement of our Luoding Leased Factory

As at the Latest Practicable Date, our Luoding Leased Factory was located on premises leased from an Independent Third Party. Details of the leased premises are set out in Appendix IV to this prospectus. For the three years ended 31 December 2006 and the six months ended 30 June 2007, cost of sales attributable to products produced at our Luoding Leased Factory accounted for nil%, nil%, 0.2% and 2.2% respectively of our total cost of sales. The term of the relevant tenancy agreement of our Luoding Leased Factory are three years expiring in September 2009 with a first right of refusal granted to the Company at no less favourable terms granted to other third parties. There is no assurance that we could renew the lease or negotiate new lease on similar or favourable terms (including, without limitation, on similar tenure and on similar rental charges) in the future or that the lease would not be terminated early. To the extent that we are required to find alternative location

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for our production facilities at our Luoding Leased Factory, there is no assurance that we would be able to secure comparable locations or negotiate lease on comparable terms. This may, in turn, have an adverse effect on our business, financial position and our future growth potential.

We may not be able to obtain land use rights over the piece of land for constructing our Luoding Production Base

We had entered into a land transfer agreement with the Municipal Government of Shuangdong Town, Luoding City, Guangdong Province (廣東省羅定市雙東鎮人民政府) in respect of land use rights over a piece of land at Luoding for construction of our Luoding Production Base. Details of the piece of land are set out in Appendix IV to this prospectus.

As at 30 June 2007, we had paid approximately RMB3.7 million for the piece of land at Luoding mainly as prepayment for the acquisition of the land use rights. Construction of our Luoding Production Base has not yet commenced as reclamation of the land and relevant land transfer procedures are still in progress. There is no assurance that we could successfully settle the reclamation of the land and relevant land transfer procedures. We had leased and commenced production at our Luoding Leased Factory and currently expect that our Luoding Production Base will be completed and commence operations in early 2009. Should we fail to obtain valid land use rights over the land at Luoding and seek comparable location for constructing our production site, our expansion plan and future growth may be adversely affected.

We and our lessor have not obtained proper title certificates of certain properties of our Pinghu Production Base and our Pinghu Existing Workshop

Pinghu Production Base

In respect of certain building structures on Pinghu Land I (as defined in section headed “Business – Properties” in this prospectus), namely an office building, a paper warehouse and a dangerous goods warehouse with a total gross floor area of approximately 1,323 sq.m., we had not fulfilled the relevant construction approval procedures (報建批准手續) and therefore have not obtained valid title certificates. For further details, please refer to the section headed “Business – Properties” in this prospectus. In the event that we were required to relocate from such premises, we expect we would need to spend approximately 14 days for relocation at a relocation costs of approximately RMB55,000.

We have not obtained proper title certificates of certain building structures constructed on Pinghu Land II (as defined in the section headed “Business – Properties” in this prospectus) of our Pinghu Production Base due to the fact that all such buildings are situated on agricultural collective lands (農民集體所有土地) which are not allowed for grant, transfer or lease for non-agricultural construction. The relevant building structures are (1) big warehouse, (2) dormitory for Hong Kong staff, (3) store, (4) canteen and kitchen and (5) bathroom, which are all used for non-production purposes. For further details about the defective titles, please refer to section headed “Business – Properties” in this prospectus.

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We have taken steps to rectify our titles over such premises but pending the outcome of the relevant applications, we may be required to vacate from such properties. In the event that we were required to relocate from these buildings, our Directors currently estimate that the costs of such relocation would be approximately RMB680,000 and the time required for completing such relocation would be approximately three weeks. In order to rectify the titles, Ming Fai Shenzhen shall pay fine pursuant to the standard market rate of RMB30/sq.m. of gross floor area and the total amount Ming Fai Shenzhen might be required to pay was approximately RMB567,000. To the extent that any such relocation may affect our daily operations, our business may be harmed.

Pinghu Existing Workshop

The owners of the building structures of Pinghu Existing Workshop have not obtained proper title certificates for the buildings due to the fact that all such buildings are situated on agricultural collective lands (農民集體所有土地) which are not allowed for grant, transfer or lease for non-agricultural construction.

If they are unable to rectify the titles and obtain the relevant title certificates over such building structures before the end of 2008, we will relocate the production facilities at our Pinghu Existing Workshop to our Luoding Leased Factory or other alternative sites. Irrespective of the outcome, we are in the process of relocating certain low-end production process of our Pinghu Existing Workshop to Luoding to capture the lower labour cost there. In the event we were required to vacate from such properties, we would suffer loss due to relocation cost and our operations would be affected. Our Controlling Shareholders have agreed to indemnify us against the costs, expenses, losses and damages for such relocation. To the extent that they should fail to indemnify us in full, we may suffer monetary loss. To the extent that such relocation and/or any such accelerated relocation may affect our daily operations, our business may be harmed.

We did not possess all necessary permits and licences and had not fully complied with the relevant Singaporean laws and regulations for our operations in Singapore during the Track Record Period

Our operations in Singapore are conducted through our wholly-owned subsidiary of QAS Singapore. The business carried on by QAS Singapore comprises the sale and supply of amenity products to the hotel and hospitality industry. QAS Singapore does not manufacture any of its products but imports all of them directly from its suppliers based in China.

During the Track Record Period, QAS Singapore has been non-compliant with certain Singaporean laws and regulations relating to the requirement on it to obtain or possess the necessary licences from the Health Sciences Authority of Singapore for the importation, sale and supply in Singapore of some of its products and the requirement on it of labelling and listing of its products with the required information, pursuant to the Medicines Act (Chapter 176) of Singapore (the “**Medicines Act**”) and applicable regulations.

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In particular, QAS Singapore had:–

- (i) not, at the relevant time, obtained an import licence and product licences for the importation, sale and supply in Singapore of those of its products falling within the category of “oral or dental hygiene products, including mouth refreshers and dentifrices” pursuant to the Medicines Act and the Medicines (Cosmetic Products) (Specification and Prohibition) Order of Singapore; and
- (ii) not, at the relevant time, complied with the requirements on labelling of the container/packaging of, nor with the requirements on listing of the ingredients contained in, its products referred to in paragraph (i) above pursuant to the Medicines (Cosmetic Products) (Labelling) Regulations of Singapore.

Turnover attributable to QAS Singapore during the three years ended 31 December 2006 was approximately HK\$1.7 million, HK\$18.1 million and HK\$30.5 million respectively while net profit was approximately HK\$0.2 million, HK\$0.03 million and HK\$2.2 million respectively for the same periods.

There is no assurance that we will not be imposed with any penalties for our previous breaches of the Singaporean laws and regulations as mentioned above during the Track Record Period.

According to our Singaporean legal advisers, any person found to be in contravention of the Medicines Act and applicable regulations enumerated above will on conviction be liable to a fine not exceeding SGD5,000 or to imprisonment for a term not exceeding two years or both. The fine can apply to a body corporate if so convicted. The penalties of fine and imprisonment can also apply to any director, manager, secretary or other officer of the body corporate, or any person who was purporting to act in such capacity, if the offence is proved to have been committed with the consent and connivance of, or be attributable to any neglect on the part of such officer or person. It is possible to be charged under the Medicines Act and applicable regulations separately. If we and/or our management were imposed with any penalties including imprisonment penalty or other sanctions in this regard, our business and results would be adversely affected.

We may involuntarily breach the laws and regulations in the course of sales of our products due to changes in existing relevant regulatory requirements and imposition of new ones

We supply a great variety of amenity products to hotel, hospitality, and travel industries within and outside the PRC. Some of our products such as toothpaste and certain other chemical-based products may contain ingredients the sales of which are subject to different regulatory requirements both in the PRC and overseas countries to which our products are exported.

Different jurisdictions have different regulatory requirements in respect of product safety and such regulatory requirements may change and/or become more onerous or new regulatory requirements may be introduced from time to time. Any such change in the regulatory requirements and/or imposition of new ones may lead to involuntary violations by us.

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For instance, in June 2007, FDA issued warning and import alert regarding the toothpaste containing DEG manufactured in China. Subsequently in August 2007, one of our US distributors made a press release on the FDA website alleging that certain toothpaste supplied by us was found to contain DEG, and a voluntary recall of the toothpaste was conducted in cooperation with the FDA accordingly. For further details of the incident, please refer to the section headed “Business - Toothpaste DEG Issues” in this prospectus.

We may have to incur extra costs in compliance with the revised or new regulatory requirements. Failure to comply with such regulatory requirements may result in fines, suspension of operation, and in more extreme cases, criminal proceedings against us and our management, which may adversely affect our operations and financial performance. Besides, our customers and end-user groups may return or claim against us directly in respect of the products which do not comply with respective regulatory requirements to us and/or request for relevant refund which may lead to our financial loss. In case such incidence amounts to disputes with our customers and end-user groups and cannot be solved amicably, our customer relationship may be adversely affected.

We depend on certain key executives and senior management in the conduct of our business

Our Directors believe that our success is, to a certain extent, attributable to the expertise and experience of our key management team, which includes our Founders, Mr. Ching Chi Keung, Ms. Chan Yim Ching, Mr. Liu Zigang, Mr. Lee King Hay and Ms. Chan Wing, who are responsible for implementing our business strategies. Our continued success is dependent, to a large extent, on the ability to retain the services of the management team, comprising our executive Directors and senior management. The loss of services of the key executives without suitable and timely replacements may lead to the loss or deterioration of important business relations which may have an adverse impact on our business operations and future prospects.

Our past dividends may not be indicative of our future dividend policy

During the Track Record Period, we declared and paid dividends of HK\$23.0 million, HK\$35.0 million and HK\$49.0 million respectively for the three years ended 31 December 2006. All dividends declared were settled in cash. There is no assurance that dividends of similar amount or at similar rates will be paid in the future. Further discussion on our dividend policy is set out in the section headed “Financial information” in this prospectus. Past dividends should not be used as a reference for our dividend policy nor used as a basis to forecast dividends payable in the future.

We will be controlled by the Founders, who are also our Directors, whose interests may differ from those of our other Shareholders

We will be controlled by the Founders, who are also our Directors, whose interests may differ from those of our other Shareholders. Immediately following the Share Offer, the Founders will beneficially own approximately 59.1% of our issued share capital, assuming the Over-allotment Option is not exercised, and approximately 57.0% if it is exercised in full. The Founders will have significant influence or control over our business plans and

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strategies (a) as our Directors, and (b) through their respective ownerships of Prosper Well and Pacific Plus, which together hold approximately 59.1% of our issued share capital, assuming the Over-allotment Option is not exercised. The Founders can exercise their voting rights to control the election of our Directors and any vote in our shareholders' meetings. The Founders' majority ownership and control of us might also delay or prevent a change in control, which could in turn reduce the market price of our Shares and the voting and other rights of our other Shareholders. Such concentration may also result in a sale of us or some or all of our assets for amounts that do not maximise value for all of our Shareholders. Therefore, the Founders may together exercise control over us in ways that conflict with the interests of our other Shareholders.

Granting share options under the Share Option Scheme may dilute the earnings per Share and net assets value per Share

We have adopted the Share Option Scheme although no options have been granted thereunder. Any exercise of the options to be granted under the Share Option Scheme in the future and issuance of Shares thereunder would result in the reduction in the percentage ownership of our Shareholders and may result in a dilution in the earnings per Share and net assets value per Share, as a result of the increase in the number of issued Shares after the issuance. Under HKFRS, the costs of share options granted to employees under the Share Option Scheme will be charged to our Group's income statement over the vesting period by reference to the fair value at the date at which the share options are granted. As a result, our profitability may be adversely affected.

Investors may face difficulties in protecting their interests because we are incorporated under Cayman Islands law and these laws may provide less protection to minority shareholders than the laws of Hong Kong

Our corporate affairs are governed by our constitutive documents and by the Cayman Islands Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences may mean that our minority shareholders may have less protection than they would have under the laws of Hong Kong. For example, the Cayman Islands does not have a statutory equivalent of section 168A of the Companies Ordinance that provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs. A summary of the Cayman Islands Companies Law on "Protection of minorities" is set forth in the section headed "Summary of the Constitution of the Company and Cayman Islands Companies Law" in Appendix V to this prospectus.

We had net current liabilities as at 31 December 2004

We had net current liabilities of approximately HK\$4,398,000 as at 31 December 2004. The net current liabilities were mainly due to financing by short-term bank loans, current portion of long-term bank loans, shareholders and related parties of approximately HK\$10.1 million, HK\$10.4 million, HK\$10.8 million and HK\$19.9 million respectively as at 31 December 2004 for the establishment of new factory in Pinghu. We started the migration of our production to Pinghu Production Base in 2003, therefore required additional financing

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for settlement of land purchase and construction costs as well as new equipment purchases in 2004. Furthermore, the Group has declared dividend for the year ended 31 December 2004. As at the two years ended 31 December 2005 and 2006 and six months ended 30 June 2007, we had net current assets of approximately HK\$9,371,000, HK\$44,811,000 and HK\$96,859,000 respectively. Further discussion on our net current assets/liabilities during the Track Record Period are set out in the section headed “Financial Information” in this prospectus. We may not be able to sustain our net current assets position. There is no guarantee that we would not record net current liabilities in the future.

RISKS RELATING TO THE INDUSTRY

We may face competition from existing market players and new entrants

We are engaged in the supply and manufacture of amenity products for hotel, hospitality and travel industries. Our Directors envisage that all manufacturers of amenity products though their product portfolio may not be comparable to ours and all distributors of amenity products though they may not themselves engage in manufacturing activities are, to a certain extent, our competitors.

We face competition from existing amenity products manufacturers and new entrants based in the PRC and other countries. Although the establishment of production facilities comparable to ours with wide range of product portfolio, advanced daily chemical and microbiological laboratory and equipment, independent design capability and enhanced production capacity and efficiency would require considerable capital investment, our Directors consider that the initial capital required to enter into the industry is not prohibitively high. While our Directors believe that the quality of our products distinguishes us from our competitors, we face competition in terms of price from small-sized local manufacturers based in the PRC.

We compete with international amenity distributors particularly in markets where we sell our products through direct sales. Although we have established logistics and distribution network and know-how in the Greater China Region and Southeast Asia, other amenity suppliers, particularly other international amenity distributors with substantial financial backing, may establish their own distribution networks in the PRC and compete with us.

Any considerable increase in competition may have an adverse effect on our business and profitability.

We may be adversely affected by downturns in hotel, hospitality and travel industries

Our products are mainly supplied to hotel and airline operators either as our direct-sales customers or through our distributors. The sales of hotel room and airline amenity products to hotel and airline operators together accounted for approximately 88.4%, 91.5%, 88.7% and 91.2% respectively of our total revenue for the three years ended 31 December 2006 and the six months ended 30 June 2007. Any recession in the business of the hotel, hospitality and travel industries will directly and adversely affect our business.

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Performance of hotel, hospitality and travel industries is particularly sensitive to changes in economy and may be affected by factors such as fear of war and future acts of terrorism, deterioration in general economic conditions, decrease in disposable income, fear of recession or decline in confidence in the economy, outbreak of infectious diseases, any or all of which could in turn reduce our customers' demand for our products and will have an adverse effect on our business, financial condition and results of operations.

An outbreak of SARS, bird flu or other highly infectious diseases may adversely affect our customer orders from the hotel and airline operators as well as disrupt our operations

A resurgence of the outbreak of SARS, bird flu or any other contagious disease in Asia or worldwide could have a material adverse effect on our business, financial condition and results of operations. An outbreak of SARS may cause disruptions in hotel and hospitality business and leisure travel patterns, which in turn adversely affect our business. Furthermore, an outbreak of a contagious or virulent disease might disrupt our ability to adequately staff our business and could generally disrupt our operations. If any of our employees were suspected of having contracted SARS or any other highly contagious disease, we may be required to quarantine such employees or the affected areas of our facilities and temporarily suspend part or all of our operations at the affected facilities. This could have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by any reduction in the willingness of people to travel due to any acts or threats of terrorism

Our business relies heavily on the hotel, hospitality and travel industries which are in turn dependent upon people's willingness to travel. In the event of any acts or threats of terrorism, the willingness of people to travel may be drastically reduced. Furthermore, any increase in anti-terrorism measures and the tightening of visa or other entry requirements may also deter some people from travelling. We cannot predict the extent to which disruptions in travelling caused by any future terrorist acts or threats would adversely affect our business, financial condition and results of operations.

Changes in the existing laws and regulations or additional or stricter laws and regulations on environmental protection in the PRC may cause us to incur significant capital expenditures, and we cannot assure that we will be able to comply with any such laws and regulations

We are required to comply with the environmental protection laws and regulations promulgated by the national and local governments of the PRC, including the prescribed standards relating to the discharge of sewage water and industrial wastes. Due to the nature of our business, sewage water and industrial wastes are produced in our manufacturing processes. For further details of the PRC environmental laws and regulations applicable to us, see the section headed "Regulations – Environmental Issues in the PRC" in this prospectus.

RISK FACTORS

There is no assurance that the PRC government will not change the existing laws or regulations or impose additional or more stringent requirements, compliance with which may cause us to incur significant capital expenditure. Moreover, if we fail to comply with the present or future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. Consequently, our financial condition, business and reputation may be adversely affected.

Social responsibility standards could affect our business

Hotel and airline operators have become increasingly sensitive to their public image with respect to social responsibility. Accordingly, many such international hotel chains and airline operators (including a number of our key customers) require their suppliers to comply with their own social responsibility standards and/or social responsibility standards set forth by governmental or non-governmental organisations in terms of, for example, environmental protection and labour benefits. Should we fail to fulfil the social responsibility standards required by our customers, be publicly perceived to have failed to comply with such standards or otherwise be publicly associated with poor social responsibility standards, our customers may decide not to continue their business relationship with us and our business may be harmed.

There is no assurance that the relevant laws and regulations will not change and additional or more stringent requirements will not be imposed or that there will not be other non-governmental social responsibility standards and requirements applicable to us. Any additional requirement will cause us to incur extra capital expenditure. In the event that we fail to meet the present or future social responsibility requirements, we may be required to pay substantial fines, our image may be adversely affected, our customers may decide not to place orders for our products and our profitability will be adversely affected.

RISKS RELATING TO CONDUCTING OPERATIONS AND BUSINESS IN THE PRC

Political and economic environment in the PRC could affect our operations and performance

Over the past 20 years, the PRC government has been reforming the economic and political systems in the PRC. Such reforms have resulted in significant economic and social advancement. Many of the reforms are unprecedented and are expected to be further refined and improved from time to time, while political, economic and social factors may also lead to further re-adjustment. The reform and re-adjustment process, however, may not always have a positive effect on our operations. There is also no assurance that the PRC government will continue to further pursue economic reforms.

Our operations are primarily conducted in China and part of our current turnover is derived from sales to the PRC market. Potential investors should note that changes in the economic and political environment in the PRC and changes in the PRC government's economic policies may adversely affect our operations, performance and profitability in the PRC.

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There are uncertainties regarding the interpretation and enforcement of the PRC laws and regulations

Since 1979, many laws and regulations governing economic matters have been promulgated in China. However, the PRC system of laws is still not comprehensively established. The interpretation of the PRC laws may be influenced by policy changes reflecting domestic, political and social changes. It may also be difficult to enforce a foreign judgment in China. As the PRC legal system develops, the promulgation of new laws and regulations or refinement and modification of existing laws and regulations may affect foreign investors. The general effect of legislation since 1982, when the National People's Congress amended the constitution to authorise foreign investment, has been to enhance significantly the protection afforded to foreign investment enterprises in China. However, these laws, regulations and requirements are relatively recent and their interpretation and enforcement are subject to considerable uncertainties. In addition, as legal system in China is subject to further development, foreign investors in a business similar to ours may face uncertainties as a result of any introduction of new laws and regulations and changes in the existing legislation. There is no assurance that our performance and profitability will not be adversely affected by future changes in legislation or the interpretation thereof will not have an adverse effect on us.

Fluctuations in the exchange rates of Renminbi may affect our results of operations

The value of Renminbi against other foreign currencies is subject to changes in the PRC government's policies and international economic and political developments. There can be no assurance that Renminbi will not become volatile against other foreign currencies as a result of a change in policies and international economic and political developments. Our operations are primarily conducted in China and our staff are mainly paid in Renminbi. Moreover, part of our raw materials and supply costs are denominated in Renminbi. We have not engaged in any material hedging activities against currency exchange rate risks. As a result, our results of operations may be materially and adversely affected as a result of currency exchange rate fluctuations.

Change in policy regarding tax preferential treatment in China may have an adverse impact on our profitability

The rate of income tax assessable on companies in China may vary depending on the availability of preferential tax treatment or subsidies granted to the specific industries or locations. According to the Income Tax Law on Foreign Investment Enterprises and Foreign Owned Enterprises of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》) (the "Foreign Enterprises Income Tax Law"), the applicable tax rate to Ming Fai Shenzhen has been 15% since its establishment in 1992. Moreover, according to the Implementation Rules (《實施細則》) of the Foreign Enterprises Income Tax Law, as approved by relevant local tax authorities, Ming Fai Shenzhen had enjoyed a further reduction of its applicable enterprise income tax rate in 2005 and 2006 to 10% due to the fact that its exports amounted to over 70% of its revenue in the relevant periods.

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There can be no assurance that the existing tax laws, their applications and interpretations which are applicable to the activities conducted by us will remain in effect and will not change. Any changes in the applicable legislation or regulations or otherwise in the jurisdictions in which we operate, including, without limitation, any changes in the preferential tax treatment in China currently enjoyed by our PRC operations, may have a negative impact on the results of our operations.

In addition to the above, we are also subject to other tax related uncertainties. During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (《中華人民共和國企業所得稅法》) (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprise at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law on our PRC operations cannot be reasonably estimated at this stage.

RISKS RELATING TO OUR SHARES AND THE SHARE OFFER

Sale of our Shares by us and/or our existing Shareholders in the future may affect our Share price

Immediately after completion of the Share Offer, we and our existing Shareholders are subject to certain contractual and legal restrictions on issue of new Shares and disposal of Shares respectively. For further details, please see the section headed "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offer – Undertaking" in this prospectus. Such restrictions will lapse in a certain point of time in the future. In the event that substantial amount of our Shares are offered for subscription by us and/or for sale by our existing Shareholders, the then prevailing market price of our Shares may be adversely affected and the rights over our Shares held by our then existing Shareholders may be materially diluted.

There is no prior public market for our Shares

Prior to the Share Offer, there has been no public market for our Shares. The Offer Price for our Shares was the result of negotiations between us (for ourselves and on behalf of the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters). The Offer Price may differ significantly from the market price for our Shares following the Share Offer. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. However, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop, or if it does develop, it will be sustained following the Share Offer, or that the market price of our Shares will not decline following the Share Offer.

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The liquidity and market price of our Shares may be volatile

The price and trading volume of our Shares will be determined in the market place and may be highly volatile. Factors such as variations in our revenue, earnings and cash flows, changes in or challenges to our business, announcements of new investments or acquisitions, the depth and liquidity of the market for our Shares, investors' perceptions of us and of China, and general political, economic, social and market conditions in China, Hong Kong, Europe and North America might cause the market price of our Shares to change substantially.

Facts and statistics contained in this prospectus from the government official publications relating to the industry may be inaccurate

Facts and statistics in this prospectus relating to the industry are derived from various publicly available government official sources generally believed to be reliable. However, we cannot guarantee the quality and reliability of such source materials. We have not undertaken independent verification of these facts and statistics and therefore make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the relevant jurisdiction and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics here produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as maybe the case elsewhere. Nonetheless, our Directors have taken reasonable care in reproducing in this prospectus such facts and statistics from their respective government official sources.

In all cases, investors should give consideration as to how much weight or importance they should place on all such facts and statistics.

Forward-looking statements may not be accurate

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "expect", "estimate", "may", "ought to", "should" or "will". Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but not limited to, those identified in this "Risk Factors" section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans or objectives will be achieved and investors should not place undue reliance on such forward looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, further events or otherwise.

RISK FACTORS

Investors should not place any reliance on any information contained in press articles or other media coverage regarding our Group and the Share Offer

Prior to the publication of this prospectus, there were certain press articles and media coverage regarding us and the Share Offer appearing in South China Morning Post and Hong Kong Economic Times on 10 October 2007 which may include certain corporate information, forward-looking statements, profit forecasts and other information about us that are not disclosed in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press articles or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. In making the decision as to whether to invest in our Shares, investors should rely solely on the information included in this prospectus and the Application Forms and not to place any reliance on any other information.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable laws in the countries of their respective citizenship, residence and domicile.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer. For applicants under the Hong Kong Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offer. The Share Offer comprises the Hong Kong Public Offer of initially 17,700,000 New Shares and the International Placing of initially 159,300,000 Shares (comprising 132,300,000 New Shares and 27,000,000 Sale Shares) (subject to the Over-allotment Option and reallocation on the basis described in the section headed "Structure of the Share Offer" in this prospectus).

The Listing is sponsored by DBS Asia. DBS Asia is also the Global Coordinator, Bookrunner and Lead Manager.

Pursuant to the Underwriting Agreements, the Hong Kong Public Offer is underwritten by the Hong Kong Underwriters and the International Placing will be managed by DBS Asia and will be underwritten by the International Placing Underwriters. For further information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON THE SHARE OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

United States of America

The Offer Shares have not been, and will not be, registered under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended (collectively, the “US Securities Acts”), or under any United States state securities regulatory authority and may not be offered, sold, pledged or transferred within the United States except in compliance with the registration requirements of the US Securities Acts and any applicable United States state securities regulatory authority. The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any United States state securities commission or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Share Offer or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

The United Kingdom

This prospectus has not been approved by an authorised person in the United Kingdom and has not been registered with the Registrar of Companies in the United Kingdom. The Offer Shares have not been offered or sold, and prior to the expiry of a period of six months from the latest date of the issue of the Offer Shares, the Offer Shares may not be offered or sold to any persons in the United Kingdom except to qualified investors within the meaning of section 86 of the Financial Services and Markets Act 2000, as amended (“FSMA”). In the United Kingdom, this prospectus is directed at, and its distribution is restricted to, persons who are investment professionals within the meaning of Article 19 of the FSMA (Financial Promotion) Order 2005 (as amended) (“FPO”).

This prospectus is directed only at persons having professional experience in investments. Any investment or investment activity to which it relates is available only to such persons and will be engaged in only with such persons. Persons who do not have professional experience in investments should not rely on this prospectus.

Japan

The Offer Shares have not been and will not be registered for public offering under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended) (the “Financial Instruments and Exchange Law”). Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, a “resident of Japan” means any person residing in Japan, including any corporation or other entity organised under the laws of Japan.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Malaysia

No prospectus or other offering material or document, including this prospectus, has been or will be registered as a prospectus with the Securities Commission of Malaysia pursuant to the Capital Markets and Services Act 2007 of Malaysia (“CMSA”) as the offer for purchase of, or invitation to purchase, the Offer Shares is meant to qualify as an “excluded offer or excluded invitation” or “excluded issue” within the meaning of sections 229 and 230 of the CMSA. Accordingly, this prospectus shall not be circulated or distributed and no invitation or offer, whether directly or indirectly, of the Offer Shares will be made, to any persons other than to persons specified in Schedules 6 and 7 of the CMSA (“Sophisticated Investors”). In addition, the Offer Shares shall not be offered for subscription or sold, directly or indirectly, nor may an invitation or offer to subscribe for or sell, any Offer Shares, be made in Malaysia to Sophisticated Investors unless such offer or invitation has been approved by the Securities Commission of Malaysia. Each International Underwriter has acknowledged that this prospectus has not been and will not be registered as a prospectus with the Securities Commission of Malaysia under the CMSA but will be deposited as an information memorandum with the Securities Commission of Malaysia in accordance with the CMSA.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the Share Offer, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to section 275(1A) of the SFA, and in accordance with the conditions, specified in section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed or purchased under section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Offer Shares under section 275 of the SFA except: (1) to an institutional investor under section 274 of the SFA or to a relevant person, or any person pursuant to section 275(1A) of the SFA, and in accordance with the conditions, specified in section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

United Arab Emirates

This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Offer Shares in the United Arab Emirates to any person to whom it is unlawful to make the offer or solicitation in the United Arab Emirates or in respect of whom there may be a legal requirement to obtain prior approval of this prospectus from the regulatory authorities and/or to appoint a local broker. The distribution of this prospectus and the offer or sale of the Offer Shares may be restricted by law in the United Arab Emirates. We do not represent that this prospectus may be lawfully distributed, or that any Offer Shares may be lawfully offered, in compliance with any applicable registration or other requirements in the United Arab Emirates, or pursuant to an exemption available thereunder, nor does it assume any responsibility for facilitating any such distribution or offering. No transaction relating to the Offer Shares will be concluded in the United Arab Emirates. Investors wishing to obtain Offer Shares should apply to the Global Coordinator outside the United Arab Emirates.

The Netherlands

The Offer Shares may not be offered or sold, directly or indirectly, in the Netherlands other than (i) Offer Shares with a minimum denomination of Euro 50,000 (or the equivalent thereof in another currency), which Offer Shares are fully paid up at their issuance, (ii) to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, investment undertakings, pension funds, other institutional investors and treasury departments of large enterprises) or (iii) in circumstances where one of the exceptions to or exemptions from the prohibition contained in article 3(1) of the Securities Transactions Supervision Act 1995 (Wet toezicht effectenverkeer 1995) applies.

Canada

The Offer Shares will not be qualified for sale under the securities laws of any province or territory of Canada. The Offer Shares are not being, and may not be, offered, sold or distributed, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws. This prospectus or any other offering material in connection with any offering of the Offer Shares may not be distributed or delivered in Canada other than in compliance with applicable securities laws.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), the Offer Shares may not be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of the Offer Shares to the public may be made in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than Euro 43,000,000; and (iii) an annual net sales of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by our Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an “offer of Offer Shares to the public” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe the Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Mainland China

This prospectus may not be circulated or distributed in mainland China and the Offer Shares may not be offered or sold directly or indirectly to any resident in mainland China, or offered or sold to any person for re-offering or re-sale directly or indirectly to any resident in mainland China except pursuant to applicable laws and regulations of mainland China.

Cayman Islands

The Offer Shares may not be offered to the public in the Cayman Islands.

Australia

This prospectus is not a disclosure document under Chapter 6D of the Corporations Act 2001 (CWLTH) (the “ACA”), has not been lodged with the Australian Securities and Investments Commission and does not purport to include the information required of a disclosure document under Chapter 6D of the ACA. Accordingly, (1) the offer of the Offer Shares under this prospectus may only be made to persons to whom it is lawful to offer those shares without disclosure to investors under Chapter 6D of the ACA under one or more exemptions set out in Section 708 of the ACA; (2) this prospectus may only be made available in Australia to persons as set forth in clause (1) above; and (3) a notice must be sent to the offeree stating in substance that by accepting this offer, the offeree represents

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

that the offeree is such a person as set forth in clause (1) above, and, unless permitted under the ACA, agrees not to sell or offer for sale within Australia any Offer Shares sold to the offeree within 12 months after their transfer to the offeree under this prospectus.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to (i) the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), (ii) the Capitalisation Issue, and (iii) the exercise of any options that may be granted under Share Option Scheme. Dealings in our Shares on the Stock Exchange are expected to commence on 2 November 2007.

None of our Shares or loan capital are listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OVER-ALLOTMENT AND STABILISATION

In connection with the Share Offer, DBS Asia or any person acting for it may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on DBS Asia or any person acting for it to do this. Such stabilisation action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period.

In connection with the Share Offer, we have granted to DBS Asia the Over-allotment Option, which is exercisable in full or in part by no later than 30 days after the last date for lodging applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, we may be required to issue and sell at the Offer Price up to an aggregate of 26,550,000 additional Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer, in connection with over-allocation in the International Placing, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed “Structure of the Share Offer – Stabilisation and Over-allotment” in this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Selling Shareholders, the Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members is maintained in the Cayman Islands by Butterfield Fund Services (Cayman) Limited. Our branch register of members is maintained by our branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. CHING Chi Fai	No. 191, Ground Floor to 2nd Floor Shui Tsiu San Tsuen Yuen Long New Territories Hong Kong	Chinese
Mr. CHING Chau Chung	No. 191A, 1st Floor to 2nd Floor Shui Tsiu San Tsuen Yuen Long New Territories Hong Kong	Chinese
Mr. CHING Chi Keung	No. 221C, 2nd Floor Shui Tsiu San Tsuen Yuen Long New Territories Hong Kong	Chinese
Mr. LIU Zigang	Flat C, 4th Floor, Tower 8 Zhong Hai Yuan Bai Shi Da Garden Tai Ning Road Luo Hu District Shenzhen the PRC	Chinese
Mr. LEE King Hay	23 Sham Tseng Village Sham Tseng New Territories Hong Kong	Chinese
Ms. CHAN Yim Ching	Flat D, 23rd Floor, Tower 8 Bellagio 33 Castle Peak Road Sham Tseng New Territories Hong Kong	Chinese
Ms. CHAN Wing	Flat D, 22nd Floor, Tower 2 Sky Tower 38 Sung Wong Toi Road To Kwa Wan Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Address	Nationality
Non-executive Director		
Mr. NG Bo Kwong	Flat C, 43rd Floor, Tower 2 Island Resort 28 Siu Sai Wan Road Siu Sai Wan Hong Kong	Chinese
Independent non-executive Directors		
Mr. SUN Kai Lit Cliff <i>BBS, JP</i>	Flat A and B, Block E, 20th Floor Wylie Court 21 Wylie Path Kowloon Hong Kong	Chinese
Mr. HUNG Kam Hung Allan	Flat A, Block 3, 15th Floor Braemar Hill Mansion 19 Braemar Hill Road North Point Hong Kong	Chinese
Mr. MA Chun Fung Horace	12th Floor Mei Foo Sun Chuen 42C Broadway Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

OTHER PARTIES INVOLVED IN THE SHARE OFFER

**Global Coordinator,
Bookrunner, Lead Manager
and Sponsor**

DBS Asia Capital Limited
22nd Floor, The Center
99 Queen's Road Central
Hong Kong

Our legal advisers

as to Hong Kong law
Cheng Wong Lam & Partners
50th Floor, Bank of China Tower
1 Garden Road
Central, Hong Kong

as to Cayman Islands law
Maples and Calder
1504 One International Finance Centre
1 Harbour View Street
Central
Hong Kong

as to the PRC law
Zhong Lun Law Firm
18/F, Shenzhen Development Bank Tower
5047 Shennan Road East
Shenzhen
the PRC

as to Singaporean law
KhattarWong
80 Raffles Place
UOB Plaza 1
#25-01
Singapore 048624

as to Malaysian law
Ho & Ho
No. 17-2 Level 2 Plaza Crystalville 1
Jalm 22A/70A, Desa Sri Hartamas
50480 Kuala Lumpur
Malaysia

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

as to US law

Dorsey & Whitney
1050 Connecticut Avenue, NW
Suite 1250
Washington, DC 20036
United States

Olsson Frank Weeda Terman Bode Matz PC
Suite 400
1400 Sixteenth Street, NW
Washington, DC 20036
United States

as to EU law

Nabarro
Lacon House
84 Theobald's Road
London WC1X 8RW
England

**Legal advisers to the Sponsor
and the Underwriters**

as to Hong Kong law

Deacons
5th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

**Auditors and reporting
accountants**

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Property valuer

Vigers Appraisal and Consulting Limited
10th Floor, The Grande Building
39 Kwun Tong Road
Kowloon
Hong Kong

Receiving banker

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office	P.O. Box 309GT Ugland House South Church Street George Town, Grand Cayman Cayman Islands
Principal place of business in the PRC	Bainikeng, Pinghu, Longgang Shenzhen, PRC
Head office and principal place of business in Hong Kong	Flat F, 6th Floor, Mai Kei Industrial Building No. 5, San Hop Lane, Tuen Mun New Territories Hong Kong
Company's website address	www.mingfaigroup.com <i>(information on the website does not form part of this prospectus)</i>
Company secretary and qualified accountant	Chan Wing, CPA
Compliance Adviser	DBS Asia
Authorised representatives	Ching Chi Fai No. 191, Ground Floor to 2nd Floor, Shui Tsiu San Tsuen Yuen Long New Territories Hong Kong Chan Wing Flat D, 22nd Floor, Tower 2 Sky Tower 38 Sung Wong Tai Road To Kwa Wan Kowloon Hong Kong
Audit Committee	Ma Chun Fung Horace (<i>Chairman</i>) Sun Kai Lit Cliff <i>BBS, JP</i> Hung Kam Hung Allan Ng Bo Kwong
Remuneration Committee	Ching Chi Fai (<i>Chairman</i>) Sun Kai Lit Cliff <i>BBS, JP</i> Hung Kam Hung Allan Ng Bo Kwong Ma Chun Fung Horace

CORPORATE INFORMATION

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
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal banker

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

INDUSTRY OVERVIEW

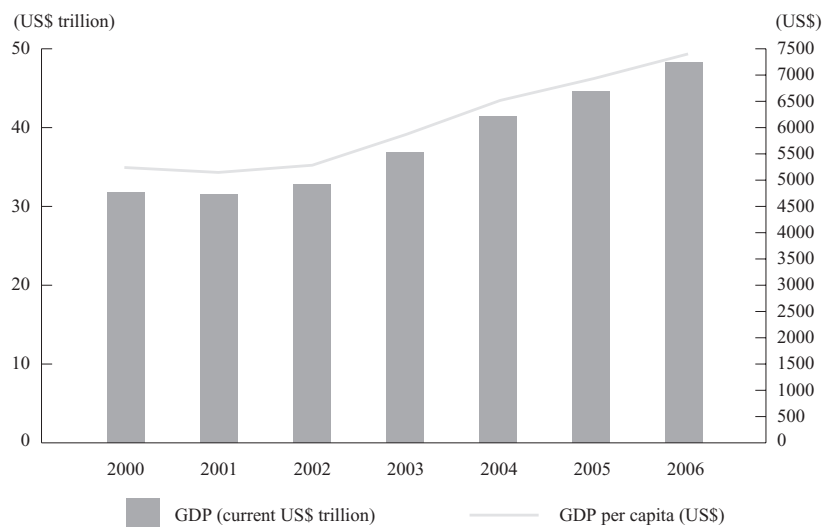
Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various government official publications. Whilst our Directors have taken all reasonable care to ensure that the relevant facts and statistics are accurately reproduced from these official government sources, such facts and statistics have not been independently verified by us, the Selling Shareholders, the Sponsor, the Underwriters, their respective affiliates, directors and advisers or any other parties involved in the Share Offer, and none of them makes any representation as to the accuracy or completeness of such information which may not be consistent with other information available and may not be accurate and should not be unduly relied upon.

In this section, information regarding the relevant industries has been recited or extracted from certain articles, reports or publications which are generally and/or publicly available or otherwise from independent public resource providers to which the Sponsor is a subscriber; authors and compilers of such articles, reports and publications are Independent Third Parties, and their preparations were not commissioned nor funded by us or the Sponsor. Geographical regions appeared in this section shall have the same meanings as used in the respective sources from which the corresponding information has been recited or extracted.

GLOBAL ECONOMY

The world's economy has been growing steadily for the past six years. According to the World Bank, the world's GDP grew from US\$31.8 trillion in 2000 to US\$48.2 trillion in 2006, representing a CAGR of approximately 7.2% per annum. The GDP per capita grew from US\$5,240.7 in 2000 to US\$7,402.3 in 2006, representing a CAGR of approximately 5.9% per annum. The chart below illustrates the GDP and the GDP per capita in the world during the period from 2000 to 2006:

**The GDP and the GDP per capita in the world
during the period from 2000 to 2006**



Source: World Bank

INDUSTRY OVERVIEW

The PRC has been one of the world's fastest growing economies in the world. According to the World Bank, the GDP and GDP per capita grew from US\$1.2 trillion and US\$949.2 in 2000 to US\$2.7 trillion and US\$2,033.9 in 2006, representing a CAGR of 14.3% and 13.5% per annum, respectively. The table below illustrates the GDP and GDP per capita of the major countries or regions from 2000 to 2006:

GDP and GDP per capita from 2000 to 2006

		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	CAGR 00/06
USA	GDP (current US\$ trillion)	9.8	10.1	10.4	10.9	11.7	12.4	13.2	5.2%
	GDP per capita (US\$)	34,599.5	35,314.6	36,125.9	37,545.1	39,771.8	41,877.4	44,155.0	4.2%
Europe	GDP (current US\$ trillion)	8.1	8.1	8.8	10.8	12.4	12.8	13.5	9.1%
	GDP per capita (US\$)	21,231.7	21,312.5	23,135	28,027.4	32,056.4	32,940.2	34,866.2	8.6%
PRC	GDP (current US\$ trillion)	1.2	1.3	1.5	1.6	1.9	2.2	2.7	14.3%
	GDP per capita (US\$)	949.2	1,041.6	1,135.5	1,273.6	1,490.3	1,712.8	2,033.9	13.5%

Source: World Bank

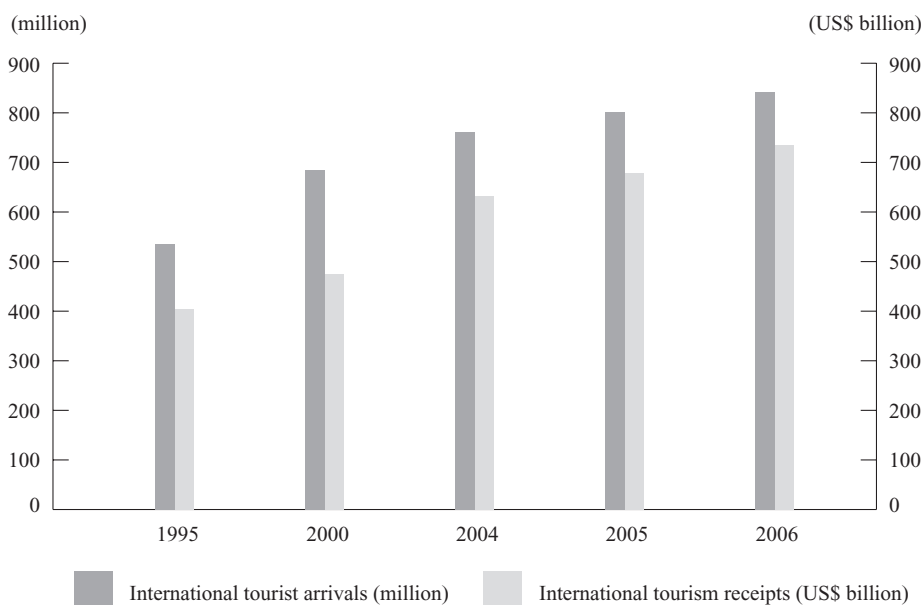
INDUSTRY OVERVIEW

GLOBAL TOURISM INDUSTRY

With the strong economic growth, more business related travels are needed. The growth in GDP per capita has also led to an improvement in living standards and leisure life quality, people are becoming more frequent to travel for vacation.

International tourist arrivals reached record high from 1995 to 2006. According to the World Tourism Organisation, the world's international tourist arrivals increased from 536 million in 1995 to 842 million in 2006, representing a CAGR of approximately 4.2% per annum. International tourism receipts also reached record high from US\$405 billion in 1995 to US\$735 billion in 2006, representing a CAGR of approximately 5.6% per annum. In the UNWTO World Tourism Barometer published in late June 2007, it is forecasted that an average growth in international tourist arrivals for 2007 would be approximately 4.0%. From January through April 2007, international tourist arrivals worldwide rose by over 6.0% to 252 million, representing an additional 15 million arrivals as against the same four-month period in 2006. The chart below illustrates the international tourist arrivals and international tourism receipts from 1995 to 2006:

The international tourist arrivals and international tourism receipts from 1995 to 2006



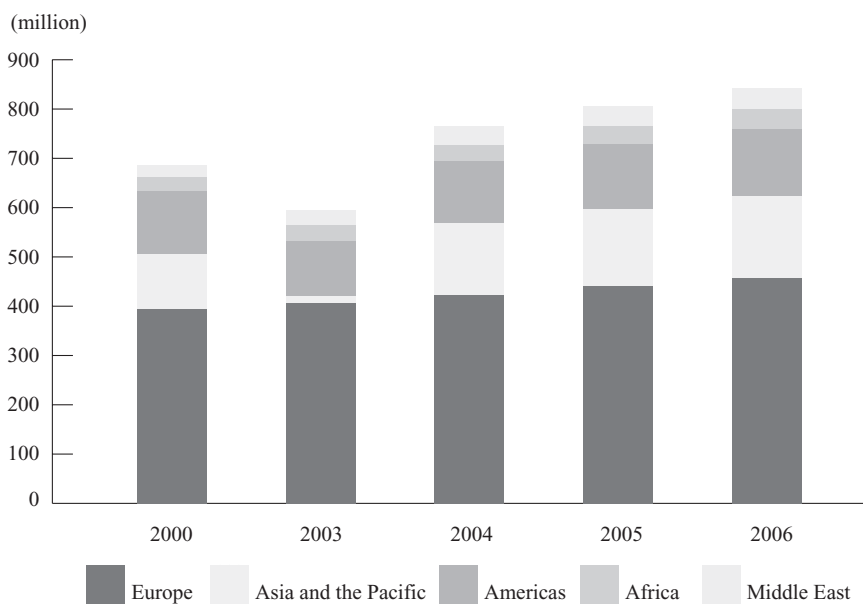
Source: World Tourism Organisation

Among the international tourist arrivals, in terms of region, Europe recorded the highest arrivals of 456.9 million in 2006, followed by Asia and the Pacific, Americas, Africa and Middle East of 167.4 million, 136 million, 40.9 million and 40.7 million, respectively. Middle East recorded the highest CAGR of tourist arrivals from 2000 to 2006 of 9.1% per

INDUSTRY OVERVIEW

annum, followed by Asia and the Pacific, Africa, Europe and Americas of 7.2%, 6.4%, 2.4% and 1.0%, respectively. The chart below illustrates the trend of international tourist arrivals by geographical regions from 2000 to 2006.

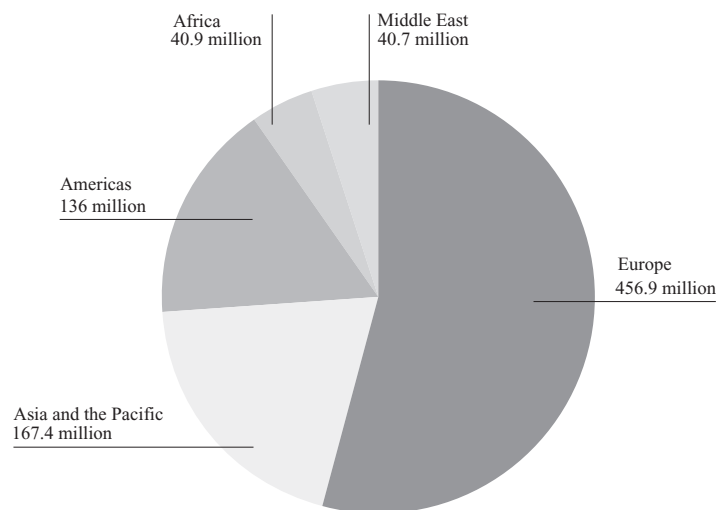
**The trend of international tourist arrivals
by geographical regions from 2000 to 2006**



Source: World Tourism Organisation

The chart below illustrates the market share of international tourist arrivals by region in 2006

The market share of international tourist arrivals by region in 2006



Source: World Tourism Organisation

INDUSTRY OVERVIEW

Among international tourist receipts, in terms of country, the top-five tourism destinations rankings in 2006 remained unchanged, comparing with 2005. Compared with 2005, according to the top-ten tourism receipt ranking, both the PRC and Germany showed a significant increase of 15.9% and 11.3% respectively in 2006. The charts below illustrate the top-ten rankings of international tourist arrivals and international tourism receipts:

Top-ten rankings of international tourist arrivals

<u>Rank</u>		<u>2005</u>	<u>Percentage</u>	<u>2006</u>	<u>Percentage</u>	<u>Change</u>
		<u>Number of arrivals</u>	<u>of Share</u>	<u>Number of arrivals</u>	<u>of Share</u>	<u>05/06</u>
		<i>(million)</i>	<i>(%)</i>	<i>(million)</i>	<i>(%)</i>	<i>(%)</i>
1	France	75.9	9.5	79.1	9.4	4.2
2	Spain	55.9	7.0	58.5	6.9	4.5
3	United States	49.2	6.1	51.1	6.0	3.8
4	The PRC	46.8	5.8	49.6	5.8	6.0
5	Italy	36.5	4.6	41.1	4.9	12.4
6	United Kingdom	28.0	3.5	30.1	3.6	7.3
7	Germany	21.5	2.7	23.6	2.8	9.6
8	Mexico	21.9	2.7	21.4	2.5	-2.6
9	Austria	20.0	2.5	20.3	2.4	1.5
10	Russian Federation	19.9	2.5	20.2	2.4	1.3
	World	<u>802</u>	100.0	<u>842</u>	100.0	

Source: World Tourism Organisation

Top-ten rankings of international tourism receipts

<u>Rank</u>		<u>2005</u>	<u>Percentage</u>	<u>2006</u>	<u>Percentage</u>	<u>Change</u>
		<u>(US\$ billion)</u>	<u>of Share</u>	<u>(US\$ billion)</u>	<u>of Share</u>	<u>05/06</u>
			<i>(%)</i>		<i>(%)</i>	<i>(%)</i>
1	United States	81.8	12.1	85.7	11.7	4.8
2	Spain	48.0	7.1	51.1	7.0	5.6
3	France	44.0	6.5	46.3	6.3	4.3
4	Italy	35.4	5.2	38.1	5.2	6.7
5	The PRC	29.3	4.3	33.9	4.6	15.9
6	United Kingdom	30.2	4.5	33.5	4.6	7.8
7	Germany	29.2	4.3	32.8	4.5	11.3
8	Australia	16.9	2.5	17.8	2.4	7.3
9	Turkey	18.2	2.7	16.9	2.3	-7.2
10	Austria	16.0	2.4	16.7	2.3	3.1
	World	<u>678</u>	100.0	<u>735</u>	100.0	

Source: World Tourism Organisation

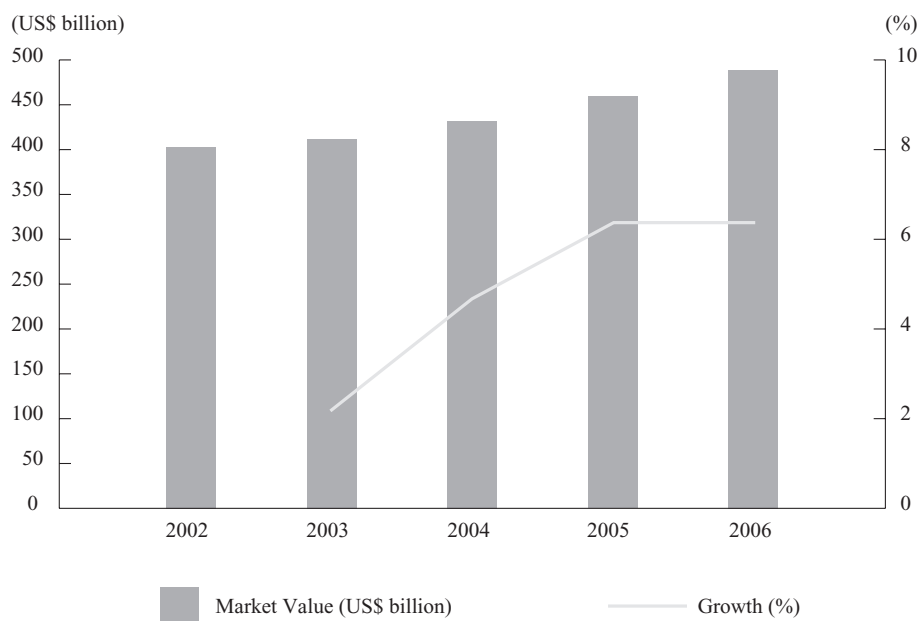
INDUSTRY OVERVIEW

GLOBAL HOTEL AND AIRLINE INDUSTRY

Hotels and Motels Industry

The increases of international tourist arrivals and international tourism receipts had resulted in an increasing in demand of hotels and motels. In 2006, the global hotels and motels industry generated total revenues of US\$488.6 billion, representing a CAGR of 4.9% per annum from 2002 to 2006. Comparing the US, Asia-Pacific and the European countries, they grew with CAGRs of 6.9%, 4.8% and 3.5% over the same period and reached respective values of US\$133.7 billion, US\$96.0 billion and US\$204.0 billion in 2006. From 2006 to 2011, the performance of the industry is forecasted to accelerate, with an anticipated CAGR of 5.6% per annum and drive the industry to a value of US\$640.9 billion by the end of 2011. The charts below illustrate the global hotels and motels industry by market value and growth from 2002 to 2006, and the market value in 2006 by regional segmentation:

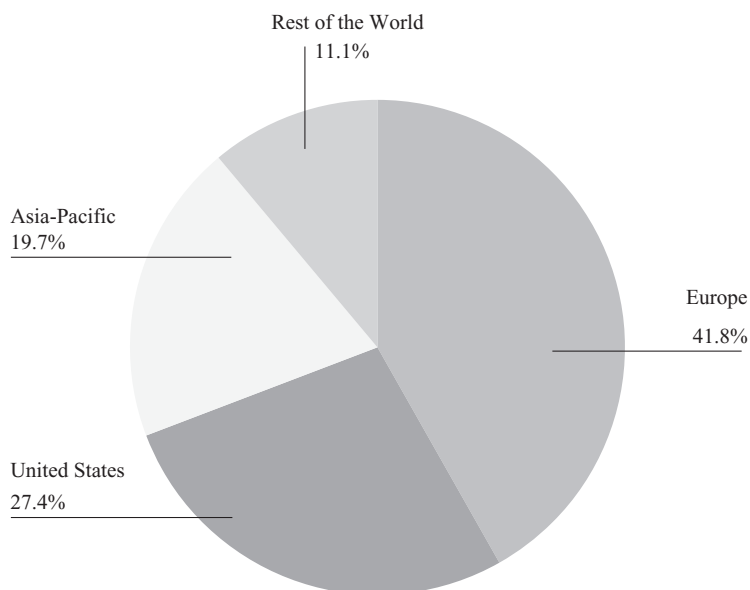
The global hotels and motels industry by market value and growth from 2002 to 2006



Source: Datamonitor

INDUSTRY OVERVIEW

The global hotels and motels industry market value by regional segmentation in 2006



Source: Datamonitor

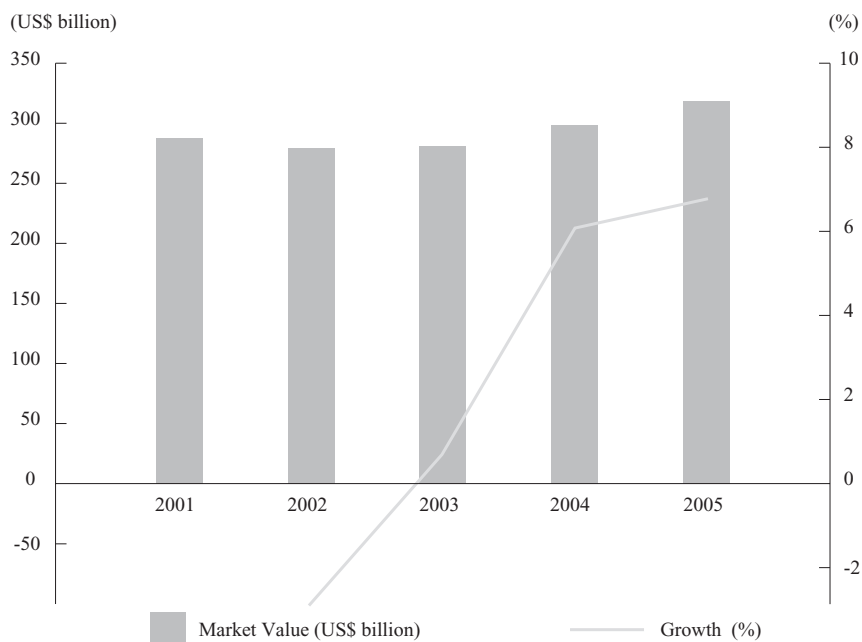
Airline Industry

In addition to the hotels and motels industry, the increase of international tourist arrivals and receipts has also led to a rapid development in airline industry. In 2005, the global airlines industry generated total sales of US\$318.6 billion, representing a CAGR of 2.6% per annum from 2001 to 2005. Comparing the Americas, the European countries and Asia-Pacific, they grew with CAGRs of 2.5%, 2.5% and 2.9% per annum over the same period, and reached respective values of US\$145.6 billion, US\$105.0 billion and US\$68.0 billion in 2005. The performance of the industry is forecasted to grow, with an anticipated CAGR of 8.3% per annum from 2005 to 2010. In comparison, airlines industry in the Americas, the European countries and Asia-Pacific will grow with CAGRs of 8.2%, 7.8% and 9.3% per annum over the same period and reached respective sales value of US\$216.2 billion, US\$153.2 billion and US\$105.9 billion in 2010. In 2005, passenger volumes increased to reach a total of 2,490 million passengers, representing a CAGR of 5.5% per annum from 2001 to 2005. The passenger volume is expected to rise to 3,270 million

INDUSTRY OVERVIEW

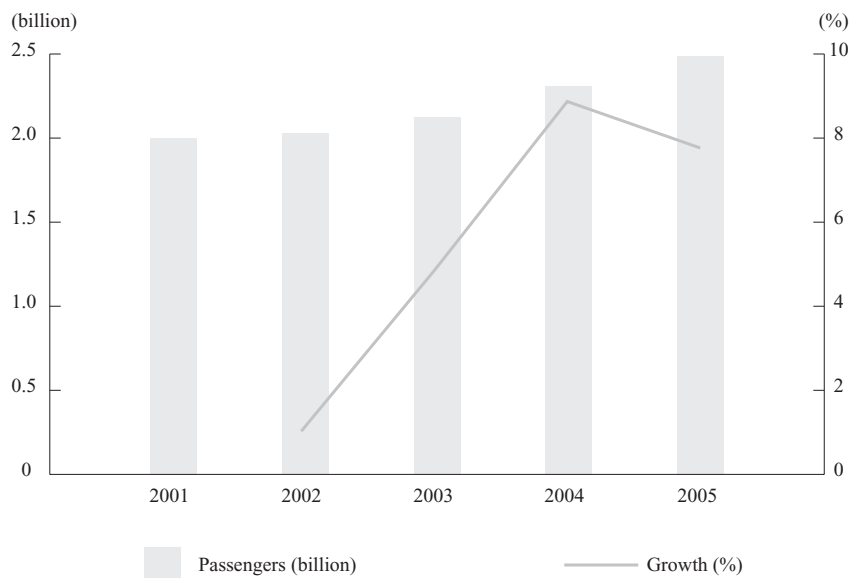
passengers by the end of 2010, representing a CAGR of 5.6% per annum from 2005 to 2010. The charts below illustrate the global airlines industry by market value, passenger volume and growth during the period from 2001 to 2005:

The global airlines industry by market value and growth from 2001 to 2005



Source: Datamonitor

The global airlines industry by passenger volume and growth from 2001 to 2005



Source: Datamonitor

INDUSTRY OVERVIEW

Fueled by the growing global airlines industry, new aircraft orders for Boeing and Airbus remained high in 2006. According to the statistics from Boeing and Airbus, the global airlines industry ordered total 1,834 new aircrafts in 2006, representing the second highest orders in history following the record high orders of 2,057 in 2005. According to The International Air Transport Association (“IATA”), various key factors kept the new orders high in 2006. Asia and, to a lesser extent, Middle East’s large market of aviation had been developing rapidly. The IATA forecasted that within Asia routes to be the largest air travel market by 2010, with an additional 222 million passengers between 2005 and 2010. Asia Pacific airlines accounted for over a third of new orders in 2006 in which the PRC airlines alone accounted for 15%. Incentive to replace older aircraft with new and more fuel-efficient planes remained high since the high fuel costs accounted for more than 25% of an airline operating costs.

TOURISM INDUSTRY IN THE PRC

According to the China National Tourism Administration (“CNTA”), total inbound tourist arrivals reached 125 million in 2006, representing a growth rate of 3.9% from 2005. Domestic tourist arrivals reached 1,394 million in 2006, representing a growth rate of 15.0% from 2005. The total tourism receipts achieved RMB893.5 billion in 2006, representing a growth rate of 16.3% from 2005.

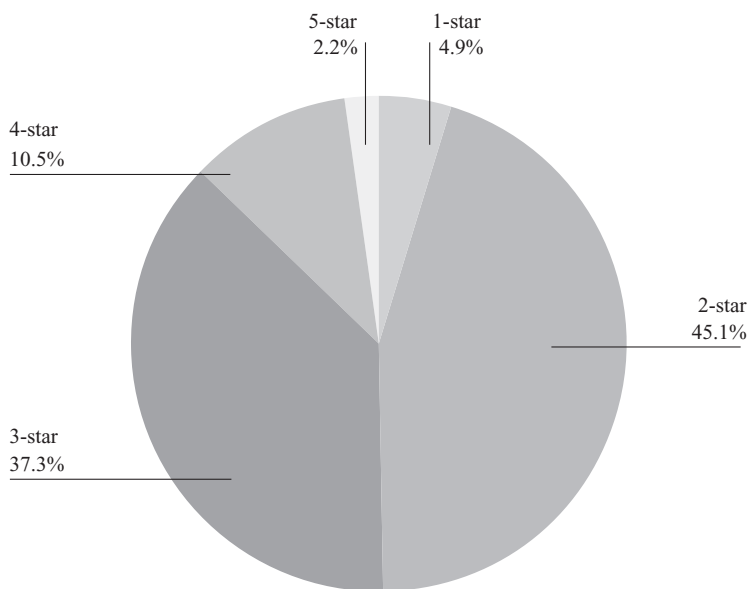
In 2006, the PRC’s star-rated hotels remained a steady growth. According to the CNTA, the total number of star-rated hotels increased by 1,370 from 2005 to 13,378 in 2006, which represented a growth rate of 11.3%.

In 2006, among all the star-rated hotels in the PRC, there were 298 five-star hotels, 1,400 four-star hotels and 4,993 three-star hotels. In terms of hotel allocation, Guangdong province and Zhejiang province had each over 1,000 star-rated hotels, ranked the first and the second region with 1,275 and 1,089 star-rated hotels in the country, respectively. In

INDUSTRY OVERVIEW

addition, four to five-star hotels mainly concentrated in the eastern area, representing 61.6% of the total number of star-rated hotels in the PRC. The chart below illustrates the market share of star-rated hotels in the PRC in 2006:

The market share of star-rated hotels in the PRC in 2006



Source: CNTA



According to the CNTA, the number of high class hotels (i.e. four to five-star hotels) will increase rapidly in the near future. It is expected that there will be 1,107 new high class hotels to be developed in the PRC, of which there will be 554 five-star hotels, doubling the total number of five-star hotels in the PRC in 2006. In terms of hotel allocation, Guangdong province, Zhejiang province, Beijing, Shanghai and Anhui province will have 155, 146, 97, 86 and 82 new high class hotels, respectively, to be operated in the near future, representing 51.1% of the total new high class hotels to be developed.

According to the CNTA, international hotel groups had been accelerating their expansion in the PRC. As of the year end of 2006, 60 hotel brands under 37 international hotel groups had already entered into the PRC market, representing a total of 502 hotels, and included in which the top ten international hotel groups. It is expected that international hotel groups will further enhance their presence through network expansion in the local market, indicating that the market competition, particularly in the high-class market, will become more intensified in the next few years.

REGULATIONS

This section of the prospectus contains a summary of certain laws and regulations currently relevant to our operations. Laws and regulations are subject to changes and as such, it is difficult to predict the possible impact of such changes on our operations and the resulting costs for compliance. Having made all reasonable enquiries and to their best knowledge, our Directors confirm that save as disclosed in this section and the sections headed “Risk Factors”, “Business – Singapore Legal Issues” and “Business – Toothpaste DEG Issues” in this prospectus, we have complied with all applicable laws and regulations in major jurisdictions, namely the PRC, the US, the EU, Hong Kong and Singapore, where we operated during the Track Record Period and as at the Latest Practicable Date and have obtained all necessary permits, licences and certificates for our operations.

ENVIRONMENTAL ISSUES IN THE PRC

Our business and operations in China are governed by the following relevant environmental laws and regulations promulgated by the Standing Committee of the National People’s Congress (the “Standing Committee of NPC”) over the past years.

Environmental Protection Law

The Laws of the PRC on Environmental Protection (《中華人民共和國環境保護法》) (the “Environmental Protection Law”) promulgated by the Standing Committee of NPC on 26 December 1989, established the legal framework for environmental protection in China. The Environmental Protection Law is formulated for the purpose of protecting and improving living environment and ecological environment, preventing pollution and other public hazards and safeguarding human health. The administration department of environmental protection of the State Council of the PRC implements unified supervision and management on the national environmental protection work, and also establishes the national standards for pollutants discharge. The Environmental Protection Bureaus at or above the county level are responsible for the environmental protection works within their respective jurisdictions.

Atmospheric Pollution Prevention Law

The Laws of the PRC on the Prevention and Control of the Atmospheric Pollution (《中華人民共和國大氣污染防治法》) (the “Atmospheric Pollution Prevention Law”) promulgated by the Standing Committee of NPC on 5 September 1987, which was revised on 29 August 1995 and further revised on 29 April 2000, established the provisions of the prevention, treatment and management of the atmospheric pollution. New construction project, expansion, or reconstruction project that discharges pollutants into air shall comply with the Atmospheric Pollution Prevention Law and other relevant regulations on environmental protection. Enterprises that discharge pollutants into the atmosphere must report to the local administrative department of environmental protection its existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions and submit to the same department relevant technical data concerning the prevention and control of atmospheric pollution.

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Water Pollution Prevention Law

The Laws of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) (the “Water Pollution Prevention Law”) promulgated by the Standing Committee of NPC on 11 May 1984, which was revised on 15 May 1996, established the legal standards for the prevention and control of pollution of rivers, lakes, canals, irrigation channels, reservoirs and other surface water bodies and of underground water bodies within the Chinese territory. New construction project, expansion, reconstruction project and other installment that directly or indirectly discharges pollutants into water bodies shall be subject to the Water Pollution Prevention Law and other state regulations on environmental protection.

Noise Pollution Prevention Law

The Laws of the PRC on the Prevention and Control of the Noise Pollution (《中華人民共和國噪聲污染防治法》) (the “Noise Pollution Prevention Law”) promulgated by the Standing Committee of NPC on 29 October 1996 established the provisions of the prevention, treatment and management of noise pollution. New construction project, expansion, or reconstruction project that discharges noise which may disturb the surrounding living environment shall comply with the Noise Pollution Prevention Law. Enterprises that make noise pollution must report to and register with the local administration department of environmental protection the categories and quantities of its existing facilities which create and abate noise and the noise level emitted under normal operation conditions, and also submit to the same department relevant technical data concerning the prevention and control of noise pollution.

Solid Waste Pollution Prevention Law

The Laws of the PRC on the Prevention and Control of the Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》) (the “Solid Waste Pollution Prevention Law”) promulgated by the Standing Committee of NPC on 30 October 1995 and revised on 29 December 2004, establishes the provisions of the prevention, treatment and management of solid pollution within the Chinese territory. New construction project, expansion, or reconstruction project that discharges solid pollutants shall comply with the Solid Waste Pollution Prevention Law and other state regulations on environmental protection. Enterprises that discharge solid pollutants must report to the local administration department of environmental protection its existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions and submit to the same department relevant technical data concerning the prevention and control of solid waste pollution.

Compliance of PRC environmental laws

For details of our compliance with PRC environmental laws and regulations, please see section headed “Business – Environmental Protection” in this prospectus.

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SOCIAL, HEALTH AND SAFETY ISSUES IN THE PRC

Standardisation Law of the PRC

Pursuant to the Standardisation Law of the PRC (《中華人民共和國標準化法》) and its Implementation Rules, the compulsory national standards, trade standards and local standardisation of safety and sanitary requirements for industrial products formulated by provincial level departments of standardisation administration shall apply to products and the business operation of an enterprise.

Where, in the absence of both, national and trade standards for the enterprise shall be formulated to serve as the criteria for production. An enterprise's standards for its products shall be reported to the standardisation administration department under the local government for record. The formulation of standards shall be conducive to ensuring safety and people's health, safeguarding consumer interests and protecting the environment. Where a party violates the Standardisation Law and causes damages to any other party, the infringed party shall have the right to require the infringing party to assume the liability for compensation.

Product Quality Law of the PRC

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), it is prohibited to produce or sell products that do not meet the standards or requirement for safeguarding human health and ensuring human and property safety. Products shall be free from unreasonable dangers threatening human and property safety. For products which, if improperly used, may cause damage to the products per se or may endanger human or property safety, the products or their packaging shall be marked with warning marks or warning statements in Chinese.

Producers shall be liable for the quality of the products they produce. Where a defective product causes physical injury to a person or damage to property, the victim may claim compensation against the producer or the seller of such product. Where bodily injury is caused by a defective product, the infringing party shall compensate for the medical expenses, the nursing fee and other economic losses of the infringed such as any decreased earnings due to loss of his ability to work. Where the infringed becomes disabled, the infringing party shall also pay such fees as the expenses for self-help devices, the subsistence allowance, damages for the disabled, and necessary living expenses of the person(s) whom the infringed supports. Where such defect causes death of the infringed, the infringing party shall also pay the funeral expenses, the death damage, and necessary living expenses of the person(s) supported by the infringed before his death. Where the defective product causes damage to the property of the infringed, the infringing party shall restore the damaged property to its original state, or compensate for the depreciated value of the property.

Where anyone produces or sell products that do not comply with the relevant national or trade standards safeguarding the health or safety of the person and property, the related authority shall order it to suspend the production or sale, confiscate the products produced or for sale, and impose a fine higher than the value of the products and less than three times

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of the value of the products. Where there exist illegal earnings, the earnings shall be confiscated concurrently. Where the case is serious, the business license shall be revoked. Where the activities constitute a crime, the offender shall be prosecuted.

Regulations on the Administration of Compulsive Product Certification

Pursuant to the Regulations on the Administration of Compulsive Product Certification (《強制性產品認證管理規定》)(the “Certification Regulations”), the state shall carry out compulsive certification to the products involving the health and safety of human beings, animals and plants, environmental protection and public safety. The products listed in the Catalogue of the Products under Compulsive Certification of the state (the “Catalogue Products”) must be certified, issued with certification letters by designated certification organisations, and given certification signs before their sales, import and utilisation in business activities. The Catalogue Products that fail to be certified in accordance with the Certification Regulations shall be fined by an amount not less than RMB30,000 and ordered to be certified within specified time.

Production Safety Law of the PRC

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》)(the “Production Safety Law”), the production and business operation entities shall be equipped with the conditions for safe production as provided in laws, administrative regulations, national standards and trade standards. Any entity that is not equipped with the conditions for safe production may not engage in any production and business operation activities.

The production and business operation entities that have more than 300 employees shall establish an administration for production safety or have full-time personnel responsible for the administration of production safety; if they have fewer than 300 employees, they shall have full-time or part-time personnel responsible for the administration of production safety or entrust the engineering technicians with technical qualifications as provided by the state to provide services in the administration of production safety. The production and business operation entities shall offer education and training programs to the employees thereof regarding production safety so as to ensure that the employees have the necessary knowledge of production safety. The designing, manufacturing, installation, using, checking, maintenance, reforming and claiming as useless of safety equipments shall be in conformity with the national standards or industrial standards. The special equipment that concerns the safety of life or is dangerous, and the container of hazardous substances or the transportation tool shall be manufactured by specialised production entities, and only after it has passed the detections and tests of the detecting and testing institutions with the professional qualifications could it be put into use. No production and business operation entity may use any technique or equipment that endangers production safety and that has been explicitly announced for elimination or prevent from use. When a production accident occurs to a production and business operation entity, the entity shall take effective measures immediately, organise rescues, and prevent the accident from deteriorating, report truthfully to the departments responsible for the supervision and administration of production safety of the local government.

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If a production and business operation entity fails to comply with the Production Safety Law, the production and business operation shall be ordered to rectify within a prescribed time period. If the production and business operation fails to rectify within the prescribed time period, the entity shall be ordered to suspend its construction or production or business for rectification and may be fined.

For details of our compliance with PRC production safety and product quality laws and regulations, please see section headed “Business – Social Compliance” in this prospectus.

SINGAPORE LEGAL ISSUES

Under the Medicines Act and the Medicines (Cosmetic Products) (Specification and Prohibition) Order of Singapore, any person who introduces a cosmetic product into the local Singapore market must ensure that the cosmetic product is safe for human use when applied under normal conditions of use, and does not contain any poisons, or any banned or restricted substance stipulated for cosmetic products. Cosmetic products are products intended to be rubbed, poured, sprinkled or sprayed on, or introduced into, or otherwise applied to, the human body or part thereof for cleansing, beautifying, promoting attractiveness or altering the appearance, and includes a deodorant or any depilatory substance but does not include a soap. Pursuant to the Medicines Act and the Medicines (Cosmetic Products) (Specification and Prohibition) Order of Singapore, we are required to obtain an import license and product licenses for the cosmetic products falling within the category of “oral or dental hygiene products, including mouth refreshes and dentifrices” prior to such importation and sale of the relevant cosmetic products in Singapore.

Under the Medicines (Cosmetic Products) (Labelling) Regulations of Singapore, every container of a cosmetic product, or where the container is immediately enclosed in a package, every package shall be labelled with the information relating to the following matters (a) the name or an appropriate description of the cosmetic product, (b) the list of ingredients contained in the cosmetic product, (c) the name and address of the importer, and (d) the batch reference given by the person who manufactured the cosmetic product. Accordingly, pursuant to Medicines (Cosmetic Products) (Labelling) Regulations of Singapore, we are required to comply with the labelling requirements in relation to all cosmetic products imported into and/or sold by us in Singapore.

Any person found to be in contravention of the Medicines Act and applicable regulations enumerated above will on conviction be liable to a fine not exceeding SGD5,000 or to imprisonment for a term not exceeding two years or both. The fine can apply to a body corporate if so convicted. The penalties of fine and imprisonment can also apply to any director, manager, secretary or other officer of the body corporate, or any person who was purporting to act in such capacity, if the offence is proved to have been committed with the consent and connivance of, or be attributable to any neglect on the part of such officer or person. It is possible to be charged under the Medicines Act and applicable regulations separately.

For details of our compliance with the above Singaporean laws and regulations, please see section headed “Business – Singapore Legal Issues” in this prospectus.

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US LEGAL ISSUES

With respect to product liability generally, products sold in the United States are subject to both statutory and common law liability. Save as disclosed in the section headed “Business – Toothpaste DEG Issues” in this prospectus, our Directors confirm that we and/or products have complied with the applicable US laws and regulations set out below.

Statutory and Regulatory Requirements

Ming Fai exports to the United States cosmetic products regulated by the FDA and consumer products regulated by the Consumer Product Safety Commission (CPSC).

FDA

The Federal Food, Drug, and Cosmetic Act (“FD&C Act”) defines “cosmetics” as “articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body ... for cleansing, beautifying, promoting attractiveness, or altering the appearance.” The definition does not include “soap” (i.e. articles represented as “soap” in which the bulk of non-volatile matter consists of, and the detergent properties are due to, alkali fatty acid compounds). The definition of “cosmetics” also does not include “drugs” (i.e. articles intended for diagnosis, cure, mitigation, treatment, or prevention of disease or intended to affect a structure or function of the body), which are subject to far greater regulatory requirements.

FDA has jurisdiction over the composition and labelling of cosmetic products. The FD&C Act prohibits the marketing of adulterated or misbranded cosmetics in interstate commerce. Violations of the FD&C Act involving product composition (e.g. use of prohibited ingredients, presence of pathogens or other contaminants, presence of unapproved color additives, unsanitary conditions in processing, packaging, or handling) cause cosmetics to be “adulterated” and subject to regulatory action by FDA. Improperly labelled or deceptively packaged products are considered “misbranded” and subject to regulatory action. In the case of “adulterated” or “misbranded” cosmetics, FDA may bring a court action seeking to seize the product or enjoin its distribution, or a criminal prosecution. FDA may also request a recall of the product.

FDA generally regulates only cosmetic product safety, not efficacy. Cosmetic products and ingredients are not subject to FDA pre-market approval authority (with the exception of color additives). Nonetheless, cosmetic manufacturers are responsible for substantiating the safety of their products and ingredients before marketing. Failure to adequately substantiate the safety of a cosmetic product or its ingredients prior to marketing causes the product to be misbranded unless the following warning statement appears conspicuously on the principal display panel of the product’s label: “WARNING – the safety of this product has not been determined”. All color additives used in cosmetics must be approved by FDA. In addition, FDA restricts or prohibits the use of certain specified ingredients in cosmetic products.

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Labels of cosmetic products are required to bear certain mandatory information (e.g. statement of product identity, net contents declaration, list of ingredients, name and address of manufacturer, packer or distributor). All labelling and packaging must be truthful and non-misleading, and the labelling information must appear in English (unless the product is marketed exclusively in Puerto Rico).

Cosmetic products imported into the United States are subject to the same laws and regulations as those produced in the United States. FDA works closely with the US Bureau of Customs and Border Protection to monitor imports. Imported cosmetics are subject to review by FDA at the time of entry. Products that even appear not to comply with FDA laws and regulations are subject to refusal of admission into the United States.

There is no private right of action under the FD&C Act allowing private citizens to sue for violations.

CPSC

The Consumer Product Safety Act (“CPSA”) defines a “consumer product” as any article or product component (except products regulated by FDA) produced or distributed for sale to, or use by, a consumer for use in and around the home, school or recreation area.

The CPSC has jurisdiction over the safety of “consumer products” under the CPSA, and the safety and labelling of “hazardous substances” under the Federal Hazardous Substances Act (“FHSA”). Products regulated by FDA are specifically excluded from CPSC jurisdiction under these two statutes. However, under the Poison Prevention Packaging Act (“PPPA”), the CPSC has jurisdiction over the safety of packaging of all household substances – including cosmetics regulated by FDA.

The CPSA requires manufacturers, importers, distributors, and retailers to submit reports to the CPSC when products they manufacture, import, distribute, or sell pose a risk to consumer safety. The CPSC may seek an injunction against the distribution of any product that it deems to be an “imminent hazard,” seek corrective action (including voluntary or mandatory recalls) with regard to any product that it deems to present a “substantial hazard,” and issue civil or criminal penalties for violations of the statute.

Under the FHSA, the CPSC regulates the safety warnings for “hazardous substances.” A hazardous substance is defined as any substances or mixtures of substances that (1) is toxic, (2) is corrosive, (3) is an irritant, (4) is a strong sensitizer, (5) is flammable or combustible, or (6) generates pressure through decomposition, heat or other means. The FHSA specifically excludes from coverage any products regulated by the FDA. Under the FHSA, CPSC has the authority to deem products banned or misbranded hazardous substances and to seek civil and criminal penalties for the unlawful distribution of such products.

The PPPA authorizes the CPSC to develop “special packaging” requirements (child-resistant packaging) for household substances – including cosmetics regulated by the FDA. CPSC may require special packaging for a product if such packaging is (1) necessary to protect children from serious personal injury or illness and (2) technically feasible,

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practicable and appropriate. Violations of the PPPA may render the product a misbranded hazardous substance under the FHSA and subject the violator to penalties under that statute. In addition, for cosmetics, violations of the PPPA could subject the violator to penalties under the FD&C Act.

There is no private right of action under the CPSA or other statutes administered by the CPSC.

Common law claims

The common law claims could come in two forms: negligence claims, which would be based on the notion that we had a duty to ensure the safety of its consumable products and failed to meet that duty (by failing to test for DEG or by failing to monitor its ingredient suppliers, for example); and strict liability claims, based on the notion that DEG-contaminated toothpaste is inherently dangerous and should be subject to liability without regard to duty or fault. The statutory claims likely would come in the form of claims brought under various state consumer protection laws, on the theory that we misled consumers by failing to disclose DEG as an ingredient on the label. As a practical matter, however, it is unlikely that individual consumers would bring suit; most of the product was removed from hotels or never shipped to hotels in the first place, and even if a hotel guest were found to have ingested some of the toothpaste, that guest would have to show (a) that the toothpaste in question contained DEG and (b) that the DEG caused some identifiable health problem.

More likely, our distributors in US would seek reimbursement for the costs of their product recall, damages for lost sales and profit, and, perhaps, for some claimed damage to its reputation. Conceivably, but less likely, a hotel chain could assert a claim against our distributors on similar theories, and our distributors could, in turn, bring us into the dispute and attempt to saddle us with the responsibility for satisfying the hotel chain's asserted damages.

EU LEGAL ISSUES

There are extensive EU rules on product safety, product liability, standards and labelling. In the main, the general framework for much consumer protection legislation within the EU is based on EU legislation but implemented and mostly (though not exclusively) enforced at the national level. Although the principal framework of laws on product safety and liability has been largely harmonized under EU law, each member state of the EU has its own consumer laws that may introduce further obligations. In addition, each national jurisdiction will have its own national laws covering issues such as negligence (or other forms of tortious liability), contract law, and laws relating to distribution and agency.

According to our EU legal advisers, the principal EU laws and regulations concerning product safety and product liability applicable to us and/or our products are set out below. Our Directors confirm that we and/or our products have complied with the requirements of the said EU laws and regulations below.

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General Product Safety Directive

The General Product Safety Directive 2001/95/EC (“GPSD”) is designed to apply a high level of product safety for products that are not covered by sector specific legislation (note that there are more specific sector rules in relation to cosmetic products which are described in more detail below). The GPSD has been transposed into national law in EU member states.

The GPSD provides that producers are obliged to place only safe products on the market. There is a generic definition of what may be regarded as a “safe product” and products must comply with this definition. Where no specific EU or national rules apply, the safety of a product is assessed in accordance with European Standards, EU technical specifications, codes of good practice, the state of the art and expectation of consumers. Producers are required to inform consumers of any risks associated with the products they supply, to take appropriate measures to prevent such risks, and to be able to trace dangerous products.

The GPSD provides for national governments to appoint local authorities to carry out market surveillance to ensure that safety standards are implemented. There is an alert system (“Rapex”) between EU member states and the Commission. This is intended to ensure that relevant authorities are rapidly informed about any dangerous products being sold on the market and there is provision for withdrawal and recall of products. A relevant example of the use of the Rapex system is the recall this summer of a number of Chinese toothpastes marketed in Spain containing diethylene glycol, a substance used in antifreeze and as a solvent and considered a health risk.

General Product Liability

At the EU level, the main directive on liability for defective products is Directive 85/374/EEC (“DLDP”), which has been transposed into national law in EU member states. The DLDP imposes a standard of strict liability upon producers in cases of damage caused to the well-being or property of individuals regardless of negligence or fault on the part of the producer. If more than one person is liable for the same damage, there is joint liability. The term “producer” is given a wide interpretation and includes any participant in the production process, the importer of the defective product, any person putting their name, trade, market or other distinguishing feature on the goods or a person supplying a product where the producer cannot be identified. The injured person must demonstrate actual damage, defect in the product and a causal relationship between damage and defect. Damage includes damage caused to the individual (personal injury or death) and damage to an item of property intended for private consumption other than the defective product. The directive does not restrict the possibility for national legislation to also provide for compensation for non-material damage. National legislators can set a limit for the producer’s total liability caused by identical items with the same defect.

It is not possible for a producer/importer to contractually limit his liability but claims must be made within three years from when the plaintiff becomes aware of the damage and producer liability expires at the end of a period of ten years from the date a product is put into circulation. In addition, the DLDP lists a number of circumstances in which producers

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are deemed under the legislation to be exempt from liability. It is noted that producer liability is not altered where there is contributory negligence by a third party, but where the injured person is at fault, producer liability may be reduced.

Labelling

There is no general legislation at the Community level establishing labelling for products other than for certain sectors which are considered to be sensitive (such as cosmetics as discussed below). Labelling requirements for other products are dictated by local requirements (and regulations) and the nature of the product and their intended use. In many cases the labelling requirements for non-sensitive products will be voluntary. In those cases, best practice guidelines suggest the inclusion of some or all of the following in the language(s) of the country where the products are to be marketed:

- Name and address of manufacturer/importer;
- Name and address of national distributor (where applicable);
- Country of origin;
- Contents;
- Instructions for use and any warnings (if relevant).

Packaging and packaging waste

The EU has extensive laws intended for environmental protection. Of particular relevance for imported goods is the Packaging Waste Directive (94/62/EC). This directive contains provisions on the prevention of packaging waste, on the recovery and recycling of packaging waste and goods sold in the EU must comply with these rules. These provisions have been implemented into national laws and many member states have stringent rules on recovery and recycling.

Cosmetic Products

The principal legislation governing safety in relation to cosmetic products is Council Directive 76/768/EEC as amended (“the Cosmetics Directive”), which is transposed into national legislation. It applies to any cosmetic product i.e. any substance or preparation intended to be placed in contact with the external parts of the human body or with teeth or mouth with a view to cleaning, perfuming, changing the appearance, correcting body odours, protecting or keeping the body in good order. There is a general safety obligation which dictates that products must not be liable to cause damage to human health when applied under normal conditions of use or reasonably foreseeable conditions.

EU member states are required to ensure that only cosmetic products complying with the rules under the directive are marketed domestically. Where a product is considered by national monitoring authorities to represent a hazard to health, that authority may provisionally prohibit its sale and marketing or subject it to special conditions. It must also

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advise other member states and the European Commission of its decision. The European Commission will consult and take a decision on the marketing or withdrawal of the product. The Cosmetics Directive sets out rules on composition, labelling and packaging of cosmetic products. It also introduces rules concerning animal testing of products.

Set out below is a brief summary of some of the other principal requirements of this legislation:

- (i) **Composition of product:** There are very detailed rules on the ingredients which are permitted to be used for various types of cosmetic products. The directive lists substances that cannot be included in the composition of cosmetic products and those substances that are subject to restrictions and conditions. It also identifies colourings, preservatives and UV filters that are permitted in cosmetic products. It is noted that rules on composition are strictly enforced;

- (ii) **Rules on labelling:** The EU has a specific labelling nomenclature applicable to cosmetic ingredients which must be used for labelling. Containers and/or packaging must bear, in indelible, easily legible and visible character in the official language or languages of the member state(s) in which it is marketed, information on ingredients, information concerning allergy or perfume sensitivity properties and certain prescribed information including:
 - the name/trade name and address of the manufacturer or person responsible for marketing the product in the EU;
 - content information by weight or volume;
 - list of ingredients (in the Common Ingredients Nomenclature);
 - date of minimum durability (“Best used by the end of ..”) where the product has a minimum durability of less than 30 months;
 - the period of time after opening in which the product can be used (together with a special symbol of an open cream jar) for products with a minimum durability of more than 30 months;
 - particular precautions for use and warnings;
 - batch number or product reference to permit identification;
 - product function where appropriate;
 - any further information required by national law.

The rules concerning indication of weight and volume are relaxed in the case of multi-packages of cosmetics containing less than five grams or five millilitres or in the case of single application packs (such as hotel amenity packs). In some EU

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member states, the interpretation of these rules allows for some relaxation of the labelling requirements, for instance, allowing for labelling to be on the multi-pack container or on a leaflet.

- (iii) **Product Information Package:** There are specific rules on product safety. Product information must be readily accessible through the EU address specified on the label. Product information includes for instance: product composition, specifications of the raw materials and finished product, method of manufacture, a signed statement from a suitably qualified safety assessor (and contact details of the qualified safety assessor), information on animal testing, proof of any declared effect etc.
- (iv) There are specific rules that apply to the importation of cosmetics including the obligation to keep a safety file.
- (v) **Animal testing bans:** The EU has imposed a ban on testing cosmetic products on animals, marketing cosmetic products tested on animals, and a gradual system of bans relating to ingredients that have been tested on animals.

Other legislation applicable to cosmetic products

In addition to the Cosmetic Directive, there are a number of minor legislative instruments that may be relevant to the marketing of cosmetics, for instance, Directive 87/357/EEC prohibiting the marketing, import and manufacture of soaps, candles and other decorative items which appear to be edible. On 21 June 2007, the European Commission adopted an Eco-label decision applicable to soaps, shampoos and hair conditioners.

Import regime

The EU is a Customs Union. For goods to enter into free circulation into the EU, import formalities must be completed at the first point of entry into the EU. Once goods have complied with all necessary importation requirements (including the presentation of import authorizations where required, certificates of origin, payments of any tariff and compliance with relevant environmental or consumer laws) they can be traded freely across borders within the EU, though they will be subject to national laws on tax, safety, sales and marketing etc. Many of the obligations under the import regime (e.g. handling customs procedures) can be contractually transferred to independent third parties (distributors/customers etc.). However, should issues arise for instance, in relation to origin, subsidies, anti-dumping, environmental or consumer law, the EU authorities may take the view that other parties involved in the import process (i.e. shippers, packers, manufacturers) have joint responsibility.

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HONG KONG LEGAL ISSUES

There is no comprehensive legislation in Hong Kong governing product liability and consumer protection as such. The law in this area comprises legislation and case law, on both civil and criminal aspects. Our Directors confirm that we and/or our products have complied with the requirements of the said laws and regulations in Hong Kong set out below.

Consumer Goods Safety Ordinance

There are several pieces of legislation dealing with the product safety requirements, the most common one being the Consumer Goods Safety Ordinance (Cap.456) (the “CGS Ordinance”). Under the CGS Ordinance, all consumer goods (except those listed in the Schedule of the CGS Ordinance) must comply with the general safety requirements or the safety standards and specifications prescribed by the Secretary for Commerce and Economic Development of Hong Kong.

The CGS Ordinance imposes a statutory duty on manufacturers, importers and suppliers to ensure that the consumer goods they supply are reasonably safe, having regard to all the circumstances, including (a) the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed; (b) the use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods; (c) reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to consumer goods of that description; and (d) the existence of any reasonable means to make the consumer goods safer. The CGS Ordinance also provides a due diligence defence.

The Customs and Excise Department publishes Consumer Protection Circulars to give traders guidelines on the reasonable safety standards applicable to certain classes of consumer goods. In particular and of particular relevance to the products currently supplied by us in Hong Kong, the Customs and Excise Department issued Circular No.1/2003 about the safety standards of facial cream on 8 July 2003. The following safety standards in testing facial cream have been adopted, namely, (i) GB 7916-87 “Hygienic Standards for Cosmetics” of the National Standard of the PRC; and (ii) European Council Directive: 76/768/EEC on the approximation of the laws of the EU member states relating to cosmetic products. Facial cream which complies with the requirements for facial cream under either one of these two standards would be taken as satisfying the general safety requirements under the CGS Ordinance provided that the product also complies with other conditions of the general safety requirements as stipulated in the Ordinance. The Circular does not elaborate on what those “other conditions” might be, so one needs to go back to the CGS Ordinance itself which only stipulates in a very general manner what the “general safety requirements” are. Our Hong Kong legal advisers would take the view that such “other conditions” should include sufficiently clear instructions and warnings where necessary, in both Chinese and English. These safety standards are not exhaustive. Where a facial cream complies with the requirements of a reasonable national or international safety standard

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published by a standards institute or similar body for the product concerned (for example, that of the US, Australia, Japan etc.), the Customs and Excise Department would recognise the product as having attained a reasonable safety standard.

Any person who sells unsafe goods commits an offence and is liable to a fine of \$100,000 and an imprisonment of 1 year on first conviction, and \$500,000 and 2 years' imprisonment on subsequent conviction. Those unsafe goods may be seized by the Customs and Excise Department and other authorised officers.

Contractual Obligations and the Sale of Goods Ordinance

In Hong Kong, contracts for the sale of goods are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). The safety and suitability requirements of the goods supplied are often treated as an implied term of the sale contract; and that ordinance governs the meaning of certain implied terms or conditions and warranties. The Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) regulates civil liability and has an impact on the effectiveness of any terms in the contract which seeks to avoid liability for breach of contract, negligence or other types of breaches of duty. Both of these statutes seek to supplement the common law position and provide further protection to consumers or users as contracting parties.

Tortious Obligations

Besides contractual duties, there may also be duties of care owed by suppliers of goods under the common law and in particular, under the law of negligence. For example, there is a duty of care owed by the manufacturer, importer and supplier of products and that duty is owed to consumers of such products. If a manufacturer, importer or supplier discovers or has reasons to believe that his product may be unsafe, he may have to cease to supply the product in its unsafe form, and to give proper warning and instructions to persons to whom the product is supplied. Where the risk of injury is high, the required standard of care will also be high. Any person who undertakes to design, import, supply or install a product, and who negligently performs his work and causes damage to other person or property, will be liable as a result. Some products may carry inevitable risk upon use. A dangerous product can be safe if sufficient precaution is taken in handling or use. The duty on the supplier is to provide proper labelling, and adequate and clear instructions for handling and use of the product so as to warn the users of their products against a foreseeable danger.

Labelling

The Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong) requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods must be given in both Chinese and English. Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods themselves, on any package containing the consumer goods, or be a label securely affixed to the package, or be a document enclosed within the package.

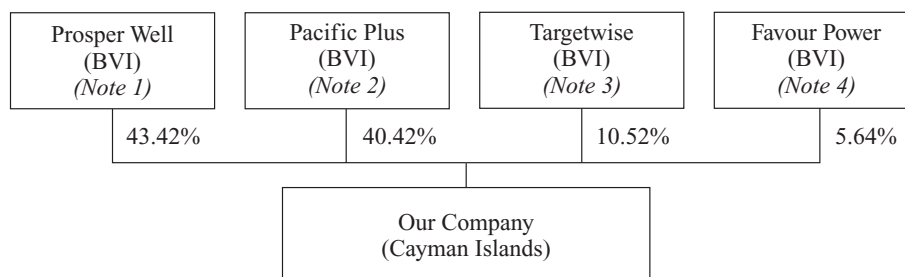
REGULATIONS

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) aims at prohibiting false trade descriptions from being applied to goods. Place of origin marking is a type of trade description and is therefore governed by that ordinance. Under that ordinance, origin marking is not mandatory, but where such marking is used, it must not be false or misleading. Any person who in the course of any trade or business applies a false description to any goods, or supplies any goods to which a false trade description is applied, or has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied, commits an offence. Any person who imports any goods to which a false trade description is applied commits an offence, unless he proves that he did not know, had no reason to suspect and could not with reasonably diligence have found out that the goods are goods to which a false trade description is applied.

GROUP STRUCTURE

OUR SHAREHOLDING STRUCTURE

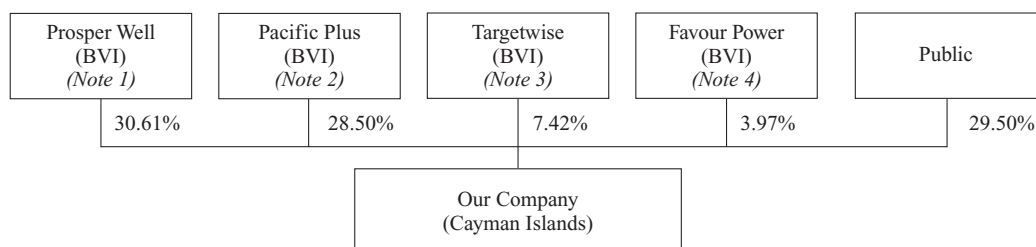
The following chart sets forth our shareholding structure as at the Latest Practicable Date:



Notes:

1. Mr. Ching Chi Fai, an executive Director, is the sole beneficial owner of Prosper Well.
2. Mr. Ching Chau Chung, an executive Director, is the sole beneficial owner of Pacific Plus.
3. Mr. Ching Chi Keung and Ms. Chan Yim Ching, both are executive Directors, beneficially own as to 50% and 50% respectively, of Targetwise.
4. Mr. Liu Zigang, an executive Director, is the sole beneficial owner of Favour Power.
5. Mr. Ching Chi Fai and Mr. Ching Chi Keung are brothers. Except as aforesaid, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang are not related in any way.

Our shareholding structure immediately after completion of the Share Offer and the Capitalisation Issue, assuming no exercise of the Over-allotment Option, no exercise of the options contemplated by the Share Option Scheme and no change in shareholding of each of the Shareholders listed below subsequent to the Latest Practicable Date, is as follows:



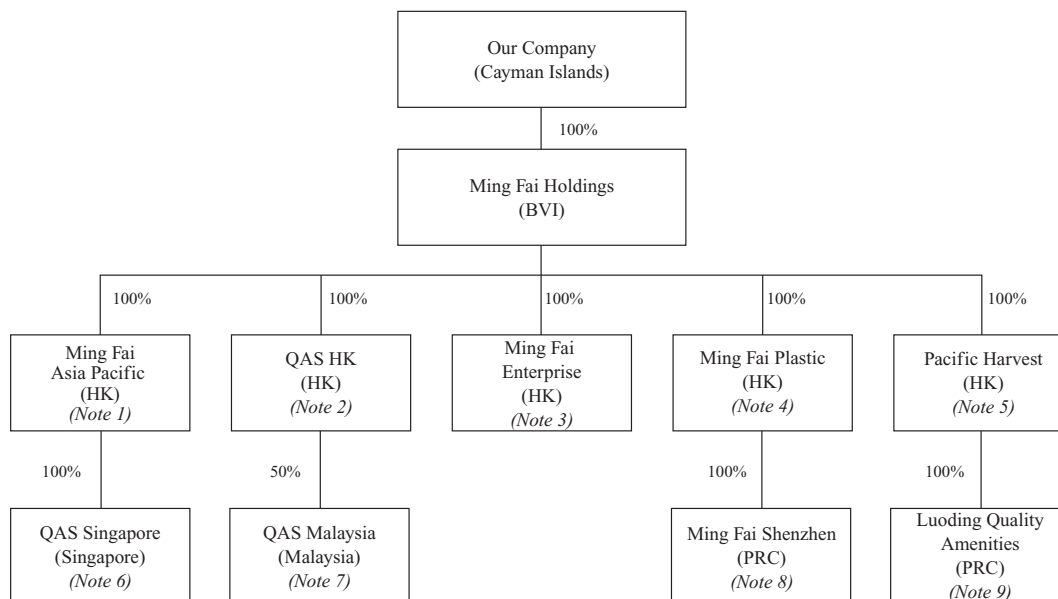
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1. Mr. Ching Chi Fai, an executive Director, is the sole beneficial owner of Prosper Well.
2. Mr. Ching Chau Chung, an executive Director, is the sole beneficial owner of Pacific Plus.
3. Mr. Ching Chi Keung and Ms. Chan Yim Ching, both are executive Directors, beneficially own as to 50% and 50% respectively, of Targetwise.
4. Mr. Liu Zigang, an executive Director, is the sole beneficial owner of Favour Power.

GROUP STRUCTURE

CORPORATE STRUCTURE

The following chart sets forth our operating subsidiaries and associated company as at the Latest Practicable Date:



Notes:

1. Ming Fai Asia Pacific was incorporated as a limited company in Hong Kong. It is principally responsible for trading of amenity products and accessories.
2. QAS HK was incorporated as a limited company in Hong Kong. It is principally responsible for trading of amenity products and accessories.
3. Ming Fai Enterprise was incorporated as a limited company in Hong Kong. It is principally responsible for trading of amenity products and accessories.
4. Ming Fai Plastic was incorporated as a limited company in Hong Kong. It is principally responsible for the investment holding of Ming Fai Shenzhen.
5. Pacific Harvest was incorporated as a limited company in Hong Kong. It is principally responsible for the investment holding of Luoding Quality Amenities.
6. QAS Singapore was incorporated as a limited company in Singapore. It is principally responsible for trading of amenity products and accessories.
7. QAS Malaysia was incorporated as a limited company in Malaysia and a 50% associated company of our Group. It is principally responsible for trading and distribution of amenity products and accessories. The remaining 50% shareholding is held by three individuals, namely Mr. Yong Yan Yow (23%), Mr. Sow Thiam Poh (23%) and Ms. Lim Lay Lian (4%), who are all Independent Third Parties.
8. Ming Fai Shenzhen was incorporated as a limited company in the PRC. It is principally responsible for manufacturing and sale of amenity products and accessories.
9. Luoding Quality Amenities was incorporated as a limited company in the PRC. It is principally responsible for manufacturing and sale of amenity products and accessories.

HISTORY AND DEVELOPMENT AND REORGANISATION

Our business was founded by our Founders in Hong Kong in the early 1980s. We have since grown into a PRC-based manufacturer and supplier of amenity products with established market position offering a wide range of quality amenity products for hotel, hospitality and travel industries. Throughout our history of development, we have continued to enhance our production facilities, broaden our product range and expand our sales market.

Business Development

1980s

Our business originated in 1981 when Ever-rich (Group) Limited (formerly known as Ever-rich Plastic Industrial Company Limited) (“Ever-rich”) was established by our Founders together with four other third parties to engage in the manufacture of shower caps in a small workshop in Hong Kong. In 1984, our Founders and Mr. Ching Chi Keung established Ming Fai Plastic Industrial Co as a partnership which acted as the processing agent of Ever-rich by gradually succeeding Ever-rich’s manufacturing operations while Ever-rich continued to source raw materials for such manufacturing operations and placed orders to Ming Fai Plastic Industrial Co. Under this arrangement, most of our products were sold to Ever-rich for export to overseas markets (including North America and Europe) through a trading company, which was controlled by one of the shareholders (other than the Founders) of Ever-rich at the time.

In order to enjoy lower production costs and preferential tax treatments, we decided to move our production to mainland China. In 1986, we entered into a five-year processing arrangement with Shenzhen Baoan County External Trade Company (深圳寶安縣對外貿易公司) (“External Trade Company”), an Independent Third Party, pursuant to which the External Trade Company provided factory premises and labour and we sourced the raw materials required for production of shower caps, hotel-use slippers, and other bag items.

1990s

The processing arrangement with the External Trade Company was extended for a further term of five years in 1990. In 1992, with a view to securing a firmer grip of our production process, this processing arrangement was terminated and replaced with a cooperative joint venture arrangement with Shenzhen Pinghu Bainikeng Economic Development Company Limited (深圳平湖白泥坑經濟發展有限公司), an Independent Third Party, whereby we acquired our first processing factory and formally established our production facilities in China.

In 1994, as part of our product offering expansion plans, we commenced product printing and packaging operations. At the same time, our product offerings further expanded to include other paper packaging products such as packaging boxes for shower caps and sewing kits.

Benefiting from the successful implementation of economic reforms and market policies, the PRC hotel and travel industries went through a rapid growth during the 1990s which brought along substantial market potentials for amenity products. In 1995, in view of

HISTORY AND DEVELOPMENT AND REORGANISATION

the enormous market opportunities, we established our first sales office in Shenzhen to explore the feasibility of direct-sales distribution of amenity products to hotel operators in the Greater China Region, particularly in Southern China. We believed that success in this new market could only be achieved with a focused vision, and therefore we targeted the high-end and luxury hotels as our key customer group. Leveraging on our experience and physical location in China, we adopted a direct-sales strategy in order to maintain a closer relationship with our customers offering them flexibility, attentive services and competitive pricings. Mr. Liu Zigang and Ms. Chan Yim Ching, two of our executive Directors, joined us in the same year to assist the development of our sales and marketing in the Greater China market and overseas market respectively.

In 1996, we established our in-house export sales department in order to develop our own sales and marketing capabilities and diversify our customer base. In the same year, we also commenced production of our chemical-based products.

In 1998, our dedication to excellence led us to be awarded with the ISO accreditation for our quality system. In the same year, we also developed our in-house design capabilities by setting up our own design team under the sales and marketing department in order to customise our products for our customers.

In 1999, noting the success of our Shenzhen initiatives and in order to increase our presence in the booming PRC market, particularly in Northern China, we established our second sales office in Beijing.

2000s

In 2000, with continued business growth particularly in our PRC domestic sales, there was a need for expansion in our production capacities. For better management and economies of scale, we believed that a consolidated and fully integrated production base was essential. We therefore acquired land at Pinghu over which we began construction of our Pinghu Production Base.

With our Shenzhen and Beijing sales offices servicing our customers in Southern and Northern China respectively, we expanded our sales network to cover Eastern China by establishing our third sales office in Shanghai in 2001. With Southern China, Northern China and Eastern China covered, we continued to extend our customer reach by setting up our fourth sales office in Dalian in 2002 to explore the Northeast China market.

At the same time, we recognised the importance of branding and market potentials of branded products within the industry, and therefore launched our in-house branded amenity products under the “*Rose Magnifique*” and “*Essence d’Orient*” lines for distribution in the Greater China Region. Since then, we have continued to develop a selection of our own in-house brands as well as securing licences for other overseas brand names, thereby offering increased flexibility and choices to our customers to meet their respective marketing strategies and product positioning initiatives. As our sales were made mainly through Ever-rich at the time, all our brands were registered in the name of Ever-rich.

HISTORY AND DEVELOPMENT AND REORGANISATION

With the incorporation of Ming Fai Enterprise and Ming Fai Asia Pacific (which was then known as Ming Fai Group Holdings Limited) in 2001 and 2002 respectively, we established our own overseas sales and sourcing arms and no longer relied on Ever-rich and the brands registered in the name of Ever-rich were transferred back to our Group. Pursuant to an assignment dated 28 August 2004, Ever-rich transferred the trademarks owned by it to our Group for a consideration of HK\$16,000. We no longer made sales through Ever-rich since 4 November 2002, being the date when Ever-rich ceased business. Since then, Ever-rich has gradually ceased its operations and is currently in the process of being voluntary wound up by its shareholders.

We also upgraded our management information system by purchasing the FLEX system from Flexsystem (Shanghai) Co. Ltd. (佛氏電腦軟件(上海)有限公司) in 2001. Our FLEX system comprised several modules covering sales, purchase, inventory and accounting.

The year 2003 witnessed an important milestone in our development into a one-stop amenity products supplier and manufacturer. Our Pinghu Production Base, which occupies a total gross floor area of approximately 58,439 sq.m. comprising of production workshops, administration and office building, staff dormitories, warehouses, and other ancillary facilities, was completed and commenced operations. Equipped with advanced and sophisticated production facilities, our Pinghu Production Base significantly increased our production yield and enabled us to enhance our production of chemical-based amenity products such as bath soaps, shower gels, shampoo, hair conditioners and body lotions. We also established an advanced chemical and microbiological laboratory to develop our in-house product formulation capabilities and exert better quality control over our chemical-based products. With larger operations, the effective and efficient management of our Pinghu Production Base required more advanced management solutions and we developed our FLEX-side system based on our FLEX system to further cover the information management of our manufacturing operations.

In 2005, our sales efforts received an incentive boost when we commenced our business relationship with Shangri-La Hotels and Resorts for supply of amenity products to its hotel rooms.

In anticipation of further business growth, particularly our increasing sales in the PRC market and to relieve the pressure on our Pinghu Production Base, in May 2006, we signed a land transfer agreement with the Municipal Government of Shuangdong Town, Luoding City, Guangdong Province (廣東省羅定市雙東鎮人民政府) for the purchase of land use rights over a piece of land in Luoding and for the construction of our Luoding Production Base. Due to the additional time required in reclaiming the land and in view of needs for additional production facilities and early training of skilful workers to prepare for our Luoding Production Base, we leased our Luoding Leased Factory from an Independent Third Party and commenced production of some of our labour-intensive products such as shower caps, laundry bags and sewing kits.

Our investment in and commitment to producing high quality chemical-based amenity products was first rewarded with GMPC accreditation in 2006 certifying that our daily chemical-based products were compliant with the GMPC standards applied in the United States and Europe.

HISTORY AND DEVELOPMENT AND REORGANISATION

In 2006, we entered into a cooperation agreement with Wuhan Huali Environmental Technology Co., Ltd. (武漢華麗環保科技有限公司), an Independent Third Party, for the PSM biodegradable materials supply which replaced traditional plastic raw materials for production of our PSM environmentally-friendly amenity products.

In October 2006, we commenced trial run of our sampling of PSM environmentally-friendly amenity products (including toothbrushes, shavers, sewing kits, shoe polishers and combs) for promotional distribution at our various sales offices. In May 2007, we commenced mass production of our first batch of PSM products being toothbrushes for an airline operator.

In July 2007, our established corporate identity and position in the market received cogent recognition when we entered into an agreement with Molton Brown, an international retailer of innovative luxury goods, to whom we supply packing service and have the exclusive rights to distribute amenities of its brand to hotels in China.

Corporate Development

Ming Fai Shenzhen

On 8 August 1992, Ming Fai Shenzhen was jointly established in its initial name of Shenzhen Ming Fai Plastic Products Company Limited (深圳明輝塑膠製品有限公司) by Ming Fai Plastic and Shenzhen Pinghu Bainikeng Economic Development Company Limited (深圳平湖白泥坑經濟發展有限公司) as a sino-foreign cooperative joint venture with an initial registered capital of HK\$10,000,000 and a business scope of manufacturing and sales of hotel room accessories and plastic products. Ming Fai Shenzhen is our major PRC operating subsidiary responsible for manufacturing and sales of amenity products and accessories.

On 22 August 1994, the registered capital of Ming Fai Shenzhen was increased from HK\$10,000,000 to HK\$15,000,000. On 17 February 1998, the business scope of Ming Fai Shenzhen was expanded to cover the manufacturing of household consumer products and travel kits.

On 4 September 2001, Ming Fai Shenzhen was converted from a sino-foreign cooperative joint venture to a wholly foreign owned enterprise and became our wholly-owned subsidiary. Ming Fai Shenzhen also changed its name to Ming Fai Plastic Products (Shenzhen) Company Limited (明輝塑膠製品(深圳)有限公司).

On 19 September 2002, Ming Fai Shenzhen changed its name to its present name.

HISTORY AND DEVELOPMENT AND REORGANISATION

On 22 December 2003, the business scope of Ming Fai Shenzhen was further expanded to cover the packaging and printing of decorative printed products, and the manufacturing and sale of shampoos, hair conditioners, shower gels, body lotions, bath soaps and quartz clocks.

On 19 November 2004, the registered share capital of Ming Fai Shenzhen was further increased from HK\$15,000,000 to HK\$50,000,000.

Ming Fai Enterprise

On 9 May 2001, Ming Fai Enterprise was incorporated in Hong Kong as a limited liability company under its former name of Hong Kong Ming Fai Plastic Industrial Company. Its present name was adopted on 25 September 2002. Ming Fai Enterprise is principally responsible for trading of amenity products and accessories.

Ming Fai Asia Pacific

On 15 May 2002, Ming Fai Asia Pacific was incorporated in Hong Kong as a limited liability company under its former name of Eternal Billion International Limited. It changed its name to Ming Fai Group Holdings Limited on 3 July 2002 and changed to its present name on 8 June 2007. Ming Fai Asia Pacific is principally responsible for trading of amenity products and accessories.

QAS HK

On 18 June 2003, QAS HK was incorporated in Hong Kong as a limited liability company. QAS HK is principally responsible for trading of amenity products and accessories.

QAS Singapore

On 9 February 2004, QAS Singapore was incorporated in Singapore as a limited liability company. QAS Singapore is principally responsible for trading of amenity products and accessories.

QAS Malaysia

On 28 September 2005, QAS Malaysia was incorporated in Malaysia as a limited liability company and was owned as to 50% by QAS HK and 50% owned by three other Independent Third Parties. QAS Malaysia is principally responsible for trading and distribution of amenity products and accessories.

Pacific Harvest

On 23 March 2006, Pacific Harvest was incorporated in Hong Kong as a limited liability company. Pacific Harvest is principally responsible for the investment holding of Luoding Quality Amenities.

HISTORY AND DEVELOPMENT AND REORGANISATION

Luoding Quality Amenities

On 1 August 2006, Luoding Quality Amenities was established as a wholly foreign owned enterprise by Pacific Harvest with an initial registered capital of US\$2,000,000 and a business scope of manufacturing and sales of plastic products, travel kits, quartz clocks, and packaging service of travel amenities. It commenced business on 13 September 2006. Luoding Quality Amenities is principally responsible for manufacturing and sale of amenity products and accessories.

Ming Fai Plastic

On 7 December 2006, Ming Fai Plastic was incorporated in Hong Kong as a limited liability company under its former name of Ming Fai International Investment Limited. It changed to its present name on 9 May 2007. Ming Fai Plastic is principally engaged in the investment holding of Ming Fai Shenzhen.

Actual shareholding of our Controlling Shareholders

As mentioned above, we were founded by our Founders, namely Mr. Ching Chi Fai and Mr. Ching Chau Chung, in 1981 when they established Ever-rich (Group) Limited. In 1984, Mr. Ching Chi Keung (“Keung”), the brother of Mr. Ching Chi Fai, joined us by way of partnership with our Founders to form Ming Fai Plastic Industrial Co. Keung has made a significant contribution to and has actively participated in our history and development. During the Track Record Period, Keung was a registered shareholder of two of our principal operating subsidiaries, namely Ming Fai Enterprise and Ming Fai Shenzhen, which accounted for over 90% of our revenue and over 80% of our total assets throughout the Track Record Period.

Mr. Liu Zigang (“Mr. Liu”) and Ms. Chan Yim Ching (“Ms. Chan”) have joined us since 1995 and have been part of our senior management overseeing our sales and marketing in the Greater China market and overseas respectively. In 1995, in order to attract and retain key employees for our development, our Founders and Keung agreed, based on a verbal agreement, to grant an approximately 5% interest in our Group to Mr. Liu. In 1999, Keung agreed to grant half of his interest in our Group to Ms. Chan.

As a result of the said arrangement, the actual percentage shareholding of Mr. Ching Chi Fai, Mr. Ching Chau Chung, Keung, Mr. Liu and Ms. Chan in our Group are approximately 43.4%, 40.4%, 5.3%, 5.6% and 5.3% respectively.

Since we were still a group of private entities in the past, we did not formalise the procedures to properly register Keung as a legal shareholder of our other subsidiaries with relatively minor operations and Mr. Liu and Ms. Chan as shareholders of the companies comprising our Group.

Keung was content with this arrangement because of his family links and his long term working relationship with our Founders. Mr. Liu and Ms. Chan were also content with the arrangement since both of them have trust and confidence in our Founders and Keung due to their close and long term working relationship and their characters.

HISTORY AND DEVELOPMENT AND REORGANISATION

Despite the absence of formal registration of the arrangement, the Controlling Shareholders have confirmed by way of statutory declaration of the existence of such arrangement and their respective actual shareholding in our Group.

Reorganisation

We underwent the Reorganisation to rationalise our structure in preparation for the Listing. Details of the Reorganisation are set out in section headed “Reorganisation” in Appendix VI to this prospectus.

BUSINESS

Overview

We are one of the PRC-based suppliers and manufacturers of quality amenity products and accessories to internationally recognised or branded operators in the hotel, hospitality and travel industries within and outside the PRC. Our Directors believe that we have an established position in the PRC because of our over 20 years of operations in the PRC, our one-stop comprehensive product offerings, strong design and customisation capabilities, fully integrated production process, in-depth manufacturing know-how and high quality control, as well as our strategic focus in the hotel, hospitality and travel industries. Such business acumen has enabled us to become one of the few amenity suppliers which caters for luxurious and high ranking hotels and international airlines, and has clearly distinguished us from other general amenity suppliers.

We principally target internationally recognised hotel chains and airline operators as our direct-sales customers or end-user groups. We boast a direct-sales clientele of famous hotels, hotel chains and airline operators, including a number of leading household names in their respective industries such as Shangri-La Hotels and Resorts, Sheraton Sanya Resort, Diaoyutai State Guesthouse, JW Marriott Hong Kong, Hotel Nikko Hong Kong, Le Meridien Cyberport, Renaissance Kowloon Hotel, Cathay Pacific, Dragonair, and LSG Sky Chefs (a wholly-owned subsidiary of Lufthansa). Shangri-La Hotels and Resorts is one of our five largest customers and accounts for approximately 4.8% of our total sales for the year ended 31 December 2006. The other named direct-sale customers are individual hotels and sales to each of them contributed to less than 1% of our total sales during the Track Record Period. As to the airline operators, Cathay Pacific accounted for approximately 1.9% of our total sales for the year ended 31 December 2006. We did not record any sales to Le Meridien Cyberport, Dragonair and LSG Sky Chefs (a wholly-owned subsidiary of Lufthansa) for the year ended 31 December 2006 as they only became our customers since 2007. We also boast a clientele of major international distributors of amenity products such as Guest Supply, Guest International, JRS Amenities, Room Service Amenities, and Wessco, which supply amenity products to other internationally recognised end-user hotel chains and airline operators and service providers. They accounted for approximately 11.1%, 11.1%, 2.1%, 3.6% and 3.3% respectively of our total sales for the year ended 31 December 2006. Our Directors consider these target customers and end-user groups have substantial recurring needs for amenity products and accessories, particularly those products which are designed for single use in hotels or on board aircrafts. We also supply small amounts of plastic covers for hospital surgical equipment and customer gift sets for retail businesses to other distributors such as an overseas distributor of disposable medical devices and Paris Presents, which accounted for approximately 3.9% and 3.3% respectively of our total sales for the year ended 31 December 2006.

BUSINESS

Due to different market dynamics, during the Track Record Period, our products were sold either to direct-sales customers and distributorship-sales customers principally in the Greater China and Southeast Asian markets or to wholesale distributors and trading companies supplying other end-user groups in other overseas markets. The revenue percentages of our direct and distributorship sales during the Track Record Period are set out in the table below.

	Year ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	Revenue (HK\$'000)	Percentage of revenue %	Revenue (HK\$'000)	Percentage of revenue %	Revenue (HK\$'000)	Percentage of revenue %	Revenue (HK\$'000)	Percentage of revenue %	Revenue (HK\$'000)	Percentage of revenue %
Distributorship sales ¹	284,795	81.2	407,545	80.3	531,743	77.4	242,209	77.3	290,352	75.8
Direct sales ²	65,922	18.8	99,842	19.7	155,663	22.6	71,077	22.7	92,855	24.2
Total	350,717	100.0	507,387	100.0	687,406	100.0	313,286	100.0	383,207	100.0

Notes:

1. Distributorship-sales customers comprise mainly wholesale distributors and trading companies including certain major international amenities distributors and wholesalers.
2. Direct-sales customers comprise mainly service provider customers which include hotels and airline operators.

We do not usually enter into long term supply contracts for over one year with our direct-sales customers and our distributors. Nevertheless, we have enjoyed a stable and amicable business relationship of an average of 10 years with our major direct-sales customers and our distributors.

Geographically, North America, Europe, China, Hong Kong and other Asia Pacific countries were our five major markets during the Track Record Period. Set out below is a geographical breakdown of our source of revenue during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	Revenue (HK\$'000)	Percentage of revenue %	Revenue (HK\$'000)	Percentage of revenue %	Revenue (HK\$'000)	Percentage of revenue %	Revenue (HK\$'000)	Percentage of revenue %	Revenue (HK\$'000)	Percentage of revenue %
North America	156,122	44.5	210,657	41.5	263,897	38.4	114,021	36.4	146,937	38.3
Europe	71,186	20.3	95,898	18.9	170,794	24.8	81,743	26.1	84,997	22.2
PRC	50,178	14.3	66,441	13.1	90,310	13.1	38,970	12.4	53,186	13.9
Hong Kong	46,244	13.2	76,308	15.1	75,327	11.0	35,646	11.4	54,654	14.3
Other Asia Pacific countries ¹	22,216	6.3	51,859	10.2	71,815	10.5	35,764	11.4	35,845	9.3
Others ²	4,771	1.4	6,224	1.2	15,263	2.2	7,142	2.3	7,588	2.0
Total	350,717	100.0	507,387	100.0	687,406	100.0	313,286	100.0	383,207	100.0

Notes:

1. Other Asia Pacific countries mainly include Japan, United Arab Emirates, Thailand, Philippines, Malaysia and Singapore.
2. Others mainly include South Africa, Egypt, Morocco and Nigeria.

Whilst we derived a majority of our revenue from overseas markets during the Track Record Period, our Directors believe that the rapid growth of the PRC economy together with the hosting of the Olympic Games in Beijing in 2008, the World Expo in Shanghai and the Asian Games in Guangzhou in 2010 will present us with attractive business opportunities in China in the foreseeable future. In order to better serve and enhance our relationships

BUSINESS

with our customers in the Greater China Region as well as capturing our anticipated business expansion plans in China, apart from the sales department at our Pinghu Production Base in Shenzhen, we have established sales offices in four major cities in the Greater China Region, namely Hong Kong, Beijing, Shanghai and Dalian and plan to establish new ones in other major cities including Wuhan, Chongqing and Xian.

We offer a wide and comprehensive range of products, which can be broadly classified into two major categories, namely (i) hotel room amenity products and accessories, including personal healthcare items and other in-room accessories; and (ii) airline amenity products, including airline amenity kits and accessories. We manufacture most of these products but source others from third party manufacturers for further processing and customisation. We also produce plastic covers for hospital surgical equipment as well as customised gift sets for retail businesses.

With a view to maximising the production capacities and minimising idle times of our equipment and human resources, our Directors have been actively exploring the market potentials of expanding our sales to mid-range and chain budget hotels in China through mass production and supply of standardised and uniform amenity products under our own brands or licensed brands. We intend to use approximately HK\$15.0 million out of the net proceeds from the issue of the New Shares for setting up new sales offices, expansion of sales network and sales to mid-range and chain budget hotels in the Greater China Region. Whilst we would be able to take advantage of the economies of scale associated with the mass production of such products and hence achieving higher profit margins, our service provider customers are also expected to benefit from a stable supply of high quality amenity products at lower purchase costs.

Our business had been expanding during the Track Record Period. Our revenue and net profit increased from approximately HK\$350.7 million and HK\$26.5 million respectively for the year ended 31 December 2004 to HK\$507.4 million and HK\$55.0 million respectively for the year ended 31 December 2005, which represented an increase of approximately 44.7% and 107.5% respectively and further increased to HK\$687.4 million and HK\$92.4 million respectively for the year ended 31 December 2006, which represented an increase of approximately 35.5% and 68.0% respectively. For the six months ended 30 June 2007, our revenue and net profit were approximately HK\$383.2 million and HK\$59.7 million respectively, which represented an increase of approximately 22.3% and 40.1% respectively from the same period in 2006. Our Directors attribute such growth principally to an increase in our products sales, which was due to a number of factors such as an increase in market demand resulting from the prospering hotel and travel industries, our established reputation in the market, our continuing strategic focus on the niche market, improving product qualities, a broadening range of product varieties, improvements in our design and customisation capabilities, an expanding logistics and distribution network and an increased emphasis on after-sales services.

During the Track Record Period, our main production lines were located at our Pinghu Production Base whilst certain production processes continued at our Pinghu Existing Workshop. Our Pinghu Production Base occupies a total gross floor area of approximately 58,439 sq.m. and has an estimated production capacity of approximately 80.2 million pieces, 55.3 million pieces, 190.8 million pieces, 157.2 million pieces and 9.6 million pieces for

BUSINESS

shower caps, toothbrushes, chemical-based products, bath soaps and sewing kits respectively for the year ended 31 December 2006. Since September 2006, we have commenced operations at our Luoding Leased Factory which occupies a total gross floor area of approximately 12,401 sq.m. and has an estimated production capacity of approximately 13.2 million pieces of shower caps for three and a half months ended 31 December 2006 and 8.8 million pieces of sewing kits for four months ended 31 December 2006 respectively. Whilst our Pinghu Production Base focuses on products that require more advanced production technologies, our Luoding Leased Factory supports more labour-intensive production processes.

COMPETITIVE STRENGTHS

Strategic focus on niche market of hotel, hospitality and travel industries

Since our establishment, we have been targeting internationally recognised hotel chains and airline operators as our principal direct-sales customers or end-user groups. During the Track Record Period, over 88% of our revenue was generated from sales to such customers and end-user groups of hotels, hotel chains and airline operators. Our products are sold either by direct sales or to wholesale distributors and trading companies supplying other end-user groups, depending on the geographical markets, which accounted for approximately 23% and 77% of our turnover respectively for the year ended 31 December 2006. Our Directors consider that these target customers and end-user groups have substantial recurring needs for amenity products and accessories, particularly those products which are aimed for single use in hotels or on board aircrafts.

By placing an early strategic focus on the hotel, hospitality and travel industries, we are able to develop an efficient system of resource allocation through in-depth market knowledge and manufacturing know-how. It also enables us to better provide customised and tailor-made products to our customers and end-user groups, make swift responses to their changes and development, and enjoy distinctive advantages in introducing new products suitable to the market.

Established presence and recognised corporate identity in the industry and niche market position

We have been engaged in the business of supplying amenity products under our corporate identity of “*Ming Fai*” since early 1980s. With over 20 years of operating history and industry experience under the leadership and management of our Founders and management team, we have firmly established our presence and the recognition of our corporate identity in the market and boasts a direct-sales clientele of famous hotels, hotel chains and airline operators, including a number of leading household names in their respective industries such as Shangri-La Hotels and Resorts, Sheraton Sanya Resort, Diaoyutai State Guesthouse, JW Marriott Hong Kong, Hotel Nikko Hong Kong, Le Meridien Cyberport, Renaissance Kowloon Hotel, Cathay Pacific, Dragonair, and LSG Sky Chefs (a wholly-owned subsidiary of Lufthansa). We also boast a clientele of major international distributors of amenity products such as Guest Supply, Guest International, JRS Amenities, Room Service Amenities, and Wessco, which supply amenity products to other internationally recognised end-user hotel chains and airline operators and service providers.

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We have a strong customer base of wholesale distributors, trading companies, hotel chains and airline operators with major market focuses in North America, Europe, China, Hong Kong and other Asia Pacific countries. We have enjoyed not less than 10 years of business relationship with four of our five largest customers including our largest customer as at the Latest Practicable Date.

Our Directors believe that our established industry presence and market position have enabled and will continue to facilitate us in capturing new business opportunities and attracting new quality customers, as well as introducing and marketing our own branded products.

One-stop comprehensive product portfolio

We have a comprehensive product offering that covers a wide selection of amenity supplies which a hotel or airline operator may require. The amenity products which we currently supply range from personal healthcare items (such as shampoo and conditioners, bath soaps and tooth brushes) and in-room accessories (such as shower caps, sewing kits, shaving kits, dental kits, door knob notice cards, shopping bags and laundry bags) to airline amenity kits and accessories. We manufacture substantially all of our offered amenity products, but also source finished products for further processing and customisation. This parallel sourcing strategy enables us to offer a wider range of amenity products and hence a one-stop supply service to our customers, whilst at the same time we are able to remain focused on the production of products that generate better economic benefits and returns.

Our Directors believe that the provision of a one-stop supply service coupled with a reputation of high product quality and strong design and customisation capabilities are attributes which give us a competitive edge over our competitors and other amenity suppliers.

Strong design and customisation capabilities

Our success is, to an extent attributed to our strong design and customisation capabilities which are essential value-added services to our customers. Besides OEM production based on customers' specifications, we also have a specialised product design team with relevant expertise and experience to advise on product designs and packaging.

Our strong design capabilities enable us to design a comprehensive range of amenity products for our direct-sales customers including certain luxurious and top ranking hotels, such as Sheraton Sanya Hotel, Hotel Nikko Hongkong and Mission Hills. This in turn enhances the loyalty of our customers towards our products.

Moreover, we also have an advanced chemical and microbiological laboratory and chemical technicians with relevant qualifications to develop and modify product specifications and relevant sampling and testing of our chemical-based products. We are therefore able to provide customised products to our customers in terms of design and packaging and product formulation.

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Our Directors believe that the possession of strong and independent design and customisation capabilities distinguishes us from other general OEM amenity suppliers.

Fully integrated production process and economies of scale

Our production process is vertically integrated, which starts from product design and sourcing and procurement of raw materials and supplies, leading on to manufacturing and packaging, and finally to delivery and distribution logistics. Moreover, we manufacture both the product mixture (such as shampoo and conditioner liquids, moisturiser mixtures and bath soap) and packaging (such as plastic bottles, tubes and paper boxes) of these products from basic components or raw materials. Such vertical integration enables us to maintain a tight control over production lead time and product quality.

Our Directors believe that we are one of the established manufacturers of high quality amenity products in China in terms of our operating history and scale of production. Our Directors believe that the scale of our operation affords us with more bargaining power to negotiate for competitive pricing for certain types of raw materials and supplies. It also enables us to better apply our vertically integrated production process for an effective and efficient production.

Stringent quality control

We place a strong emphasis in the high and consistent quality of our product offerings and have therefore implemented a stringent quality control system that comply with PRC governmental and international standards. We maintain quality control throughout our production process, from the sourcing of raw materials and supplies to the manufacturing processes as well as the distribution of finished products. The quality system of our production facilities at Pinghu first obtained ISO accreditation in 1998 and continued to conform with ISO management system standards as at the Latest Practicable Date. Moreover, the chemical-based products produced at our Pinghu Production Base have been assessed to be in compliance with the GMPC of the US FDA and the Council of Europe. Our Directors believe that our continuous focus on maintaining strict quality control standards has enabled us to become one of the PRC-based manufacturers with established reputation of high quality amenity products.

Strong operating cash flow to support capital expenditures with substantial financial growth

Our strong operating cash flow supports our capital expenditure requirements whilst still permitting us to pay out dividends. Our operations generated net cash flows of approximately HK\$37.7 million, HK\$50.9 million, HK\$81.2 million and HK\$56.8 million and our capital expenditures amounted to approximately HK\$15.7 million, HK\$23.3 million, HK\$23.8 million and HK\$14.0 million for the three years ended 31 December 2006 and the six months ended 30 June 2007 respectively.

We have demonstrated strong historical financial growth, both in terms of revenue and net income. Our revenue was approximately HK\$687.4 million for the year ended 31 December 2006, representing an increase of 35.5% from approximately HK\$507.4 million

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for the year ended 31 December 2005. For the year ended 31 December 2006, our profit attributable to equity holders of our Company was approximately HK\$92.4 million, representing an increase of 68.0% from approximately HK\$55.0 million for the year ended 31 December 2005.

Experienced and stable management

We have an experienced and stable management team led by our Founders. Most of our management team members have joined us for over 10 years. Our Founders have extensive experience in the hotel and airline amenity supply industry of over 20 years. The management team led by them has diversified experience in finance and business administration, sourcing and procurement, production, sales and marketing, logistics and inventory management, and information technology application.

Our management team has also developed long-term business relationships with major suppliers and customers. We believe that the industry knowledge and diversified experience of our management team together with their in-depth knowledge of market trends and customers' needs constitute an essential element of our success and future development.

Environmentally-friendly amenity products

We are one of the pioneers in applying PSM biodegradable materials to the production of single-use amenity products. In 2006, we entered into a cooperation agreement with Wuhan Huali Environmental Technology Co., Ltd. (武漢華麗環保科技有限公司), an Independent Third Party, for the PSM biodegradable materials supply which replaced traditional plastic raw materials for production of our PSM environmentally-friendly amenity products.

PSM biodegradable materials is derived from starch to replace traditional plastic raw materials and has been patented in the PRC. Almost all amenity products (such as toothbrushes and combs) traditionally made of plastic can be replaced by PSM biodegradable materials. Amenity products made of PSM biodegradable materials are bio-degradable and the incineration of which does not produce or produce less toxic emission depending on the percentage degree of PSM biodegradable materials contained. Our PSM products have undergone testing with satisfactory results in respect of starch content, degree of biodegradation, combustion emission, heavy metals etc.

In October 2006, we commenced the trial run of our sampling of PSM environmentally-friendly amenity products (including toothbrushes, shavers, sewing kits, shoe polishers and combs) for promotional distribution via our various sales offices. In May 2007, we commenced mass production of our first batch of PSM products being toothbrushes for an airline operator.

We believe that the provision of environmentally-friendly amenity products caters for the generally increasing concerns and social responsibilities for environmental protection and further distinguishes us from other general amenity suppliers. Such initiatives should also demonstrate our commitment to providing safe products and enhance the corporate images of both ourselves and our customers and end-user groups amongst their clients and other

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concerned groups. Our investments in the production of environmentally-friendly products should also gradually reduce our reliance on plastics and other less environmentally-friendly raw materials and enable us to manage fluctuations in such raw material costs more effectively.

BUSINESS STRATEGIES

Our goal is to strengthen our position as a one-stop integrated quality amenity products supplier to hotel and airline operators.

We plan to achieve this goal by strengthening our foothold in the hotel, hospitality and travel industries, expanding our range of products offerings, expanding into the mid-range and chain budget hotel market in the PRC, streamlining our production processes and business operations as well as establishing leading position in manufacturing and supplying environmentally-friendly amenity products.

Strengthening foothold in the hotel, hospitality and travel industries

We have placed an early strategic focus in the hotel, hospitality and travel industries, targeting the internationally recognised hotel chains and airline operators as our direct-sales customer or end-user groups through wholesale distributors and trading companies. We believe such internationally recognised operators enjoy substantial market shares in their respective industries and by targeting these customers and end-user groups, we will not only be able to increase our revenue through the growth of these customers, but will also be able to enhance our corporate value.

We believe that in order to strengthen our foothold in this sector, it is critical for us to maintain and further enhance our corporate image and customer relationships particularly with our key customers by, amongst others:

- maintaining a comprehensive offering of high quality products and on-time deliveries;
- maintaining a policy to keep a minimum standby stock level of amenity products to ensure a steady and responsive supply to certain key customers;
- pro-actively seeking ways to improve product designs and product varieties through direct communication with our customers as well as practical understanding of their needs;
- leveraging on the sales networks formed by our existing sales offices and establishing new ones to achieve direct communication with our direct-sales customers and provide timely and effective after-sales services; and
- participating in trade fairs and exhibitions, and placing advertisements in industry publications to promote brand awareness, enhance our general corporate image and market our amenity products.

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Expanding range of product offerings

We believe that it is essential for us to further expand the range of our product offerings in order to maintain our competitiveness as a one-stop supplier and establish new revenue channels. We intend to achieve this by:

- maintaining and reinforcing our current parallel sourcing strategy of procuring semi-finished and finished products from third party manufacturers and focusing our resources on production that generates higher economic returns and benefits;
- strengthening our sourcing capabilities to broaden the range of semi-finished and finished products procured based on customer requirements; and
- leveraging on our design and customisation capabilities to develop new products and modify existing products.

Expanding into the mid-range and chain budget hotel market in the PRC

We will actively explore the market potentials of expansion into the mid-range and chain budget hotel market in the PRC through mass production and supply of standardised and uniform amenity products. We plan, in parallel to our principal production of customised products for luxurious and high ranking hotels and international airlines, to manufacture these products under our own or licenced brands, which would provide us with an additional stream of revenues and at the same time reduce any idle and under-utilised production capacities. Whilst we would be able to take advantage of the economies of scale associated with the mass production of these products and hence achieving higher profit margins, our customers are also expected to benefit from a stable supply of high quality amenity products at lower purchase costs.

Streamlining production processes and business operations

We believe that streamlining our production processes and business operations to optimise efficiency, improve product quality and enhance customisation capabilities is critical to our growth and our ability to maintain healthy profit margins. We plan to achieve this by:

- increasing our production capacities through establishment and/or acquisition of new production facilities and improvements to our current production facilities;
- enhancing our automated production methodologies, and re-organising production processes among our production sites at Pinghu and Luoding;
- providing regular training to all levels of our production personnel;
- constantly monitoring and reviewing our production management processes to ensure consistently smooth and efficient production, as well as to identify opportunities for implementing production improvements;

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- enhancing our logistical capabilities by setting up warehouses in other strategic positions to facilitate the distribution of our products; and
- improving and upgrading our management information system by launching the ERP system to replace our existing FLEX-side system in January 2008 to achieve a higher degree of information security and sharing.

Establishing leading position in manufacturing and supplying environmentally-friendly amenity products

We envisage that with the increasing concerns and social responsibilities for environmental protection globally, environmentally-friendly amenity products will replace traditional plastic products for one-off consumer use in hotel rooms and on board aircrafts in the long run. Therefore, we intend to establish a leading position in manufacturing and supplying environmentally-friendly amenity products. We believe that such initiatives should demonstrate our commitment to providing safe products and would enhance the corporate image of both ourselves and our customers and end-user groups amongst their clients and other concerned groups.

We plan to enhance research and development to broaden the application of PSM biodegradable materials to more amenity products and improve the quality of our PSM environmentally-friendly amenity products. Moreover, we will promote our PSM environmentally-friendly amenity products by leveraging on our market reputation for our products quality and our established customer base to identify new suitable customers and end-user groups for these products.

In October 2006, we commenced trial run of our sampling of PSM environmentally-friendly amenity products (including toothbrushes, shavers, sewing kits, shoe polishers and combs) for promotional distribution at our various sales offices. In May 2007, we commenced mass production of our first batch of PSM products being toothbrushes for an airline operator.

Moreover, we plan to launch our new generation of PSM environmentally-friendly amenity products in 2008 to capitalise on the business opportunities of the Olympic Games in Beijing in 2008, the World Expo in Shanghai and the Asian Games in Guangzhou in 2010.

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PRODUCTS

We offer a wide and comprehensive range of products, which can be broadly classified into two major categories, namely (i) hotel room amenity products and accessories, including personal healthcare items and other in-room accessories; and (ii) airline amenity products, including airline amenity kits and accessories. We manufacture most of these products in-house but also source certain semi-finished accessories and components and finished products from third party manufacturers for further processing and customisation. We also produce plastic covers for hospital surgical equipment and customised gift sets for retail businesses.

	Year ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	
Hotel room amenity products and accessories ¹	274,511	78.3	389,922	76.8	508,584	74.0	241,317	77.0	294,450	76.8
Airline amenity products ²	35,536	10.1	74,559	14.7	101,198	14.7	40,225	12.9	55,015	14.4
Others ³	40,670	11.6	42,906	8.5	77,624	11.3	31,744	10.1	33,742	8.8
Total	<u>350,717</u>	<u>100.0</u>	<u>507,387</u>	<u>100.0</u>	<u>687,406</u>	<u>100.0</u>	<u>313,286</u>	<u>100.0</u>	<u>383,207</u>	<u>100.0</u>

Notes:

- Hotel room amenity products and accessories include personal healthcare items such as bath soaps, shower gels, shampoos, hair conditioners, body lotions and bath salts, as well as other in-room accessories such as shower caps, sewing kits, shaving kits, dental kits, slippers, tissue boxes, trays, door knob notice cards, shopping bag, laundry bag, desk accessories, memo pads, pens and pencils, clothes hangers, coasters, glass covers and stirrers and picks.
- Airline amenity products mainly include airline amenity kits and accessories.
- Others mainly include plastic covers for hospital surgical equipment which accounted for approximately 4.7%, 2.0%, 3.9% and 3.2% of our revenue for the three years ended 31 December 2006 and the six months ended 30 June 2007 respectively and customised gift sets for retail businesses which accounted for approximately 3.0%, 2.8%, 4.5% and 2.1% of our revenue for the three years ended 31 December 2006 and the six months ended 30 June 2007 respectively.

A majority of our products are customised for our direct-sales customers and end-user groups of our products and hence distributed under their own brand names. As an extension to our product offerings, we have also developed our in-house brand names such as “*Rose Magnifique*”, “*Essence d’Orient*” and “*Nobility*”. We are also licensed to distribute products under various third party brands such as “*Santa Barbara Polo & Racquet Club*”, “*Baronessa Cali Oliva and Tarocco*” and “*Natiira U*”. We believe that such extensive choice of labels and brands would facilitate and offer flexibility to our direct-sales customers and end-user groups of our products in meeting their respective marketing and branding strategies.

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Hotel room amenity products and accessories



Airline amenity products



PSM environmentally-friendly products

We are one of the pioneers in applying PSM biodegradable materials to the production of single-use amenity products. In 2006, we entered into a cooperation agreement with Wuhan Huali Environmental Technology Co., Ltd. (武漢華麗環保科技有限公司), an Independent Third Party, for the PSM supply which replaced traditional plastic raw materials for production of our PSM environmentally-friendly amenity products. Pursuant to the cooperation agreement, the PSM biodegradable materials supplier recognises us as its sole

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strategic cooperation partner in the area of hotel and airline single-use amenity products. We are responsible for the research and development, production and sale of the amenity products made of PSM biodegradable materials.

PSM biodegradable materials are derived from starch to replace traditional plastic raw materials and have been patented in the PRC. Almost all amenity products (such as toothbrushes and combs) traditionally made of plastic can be replaced by PSM biodegradable materials. Amenity products made of PSM biodegradable materials are biodegradable and the incineration of which does not produce or produces less toxic emission depending on the percentage degree of PSM biodegradable materials contained. Our PSM products have undergone testing with satisfactory results in respect of starch content, degree of biodegradation, combustion emission, heavy metals etc.

In October 2006, we commenced trial run of our sampling of PSM environmentally-friendly amenity products (including toothbrushes, shavers, sewing kits, shoe polishers and combs) for promotional distribution via our various sales offices. In May 2007, we commenced mass production of our first batch of PSM products, being toothbrushes for an airline operator.

PSM products



We believe that the provision of environmentally-friendly amenity products caters for the generally increasing concerns and social responsibilities for environmental protection and further distinguishes us from other general amenity suppliers. Such initiatives should also demonstrate our commitment to providing safe products and enhance the corporate images of both ourselves and our customers and end-user groups amongst their clients and other concerned groups. Our investments in the production of environmentally-friendly products should also gradually reduce our reliance on plastics and other less environmentally-friendly raw materials and enable us to manage fluctuations in such raw material costs more effectively.

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SALES AND MARKETING

Our sales and marketing teams are principally divided into two regional divisions with one division mainly focusing on our Greater China market whilst the other focuses on our overseas sales and airline customers. Our products are sold either by direct sales supported by distributorship sales through certain small scale local distributors mainly in the Greater China and Southeast Asian markets or to wholesale distributors and trading companies supplying other end-user groups mainly in the other overseas markets. Our marketing strategies are devised with a view to maintaining our market position and expanding our customer base.

Marketing and promotion

As we supply to industry players rather than retail end users, our marketing initiatives are more industry-driven and include:

- *Advertisement:* We periodically place advertisements in industry publications such as China Hotel Purchase News (中國酒店採購報) and International Hotel (中外酒店) and display images of our corporate brands and products on prominent billboards.
- *Trade fairs and exhibitions:* We frequently participate in trade fairs and exhibitions within and outside the PRC such as Guangzhou, Hong Kong, Singapore and Australia.
- *Websites and search engines:* We maintain separate websites for our Group and some of our own brand names, namely “Nobility” and “Essence d’Orient”. Our information can also be easily accessed through search engines on the internet.
- *Site visits:* We regularly invite our customers and potential customers to visit our production facilities and showrooms to enable them to better understand our production process and product offerings and hence enhance their confidence in our Group and our products.

Our total advertising, marketing and promotion related expenses during the Track Record Period was approximately HK\$4.6 million, HK\$6.0 million, HK\$7.3 million and HK\$3.7 million respectively, accounting for approximately 14.2%, 17.1%, 16.7% and 14.2% of our total distribution costs respectively for the relevant periods.

Sales force and sales channels

Our sales personnel are broadly divided into two regional teams with one team mainly responsible for our sales in the Greater China Region whilst the other is mainly responsible for our overseas sales and sales to airline operators. Apart from general external liaison with clients and internal coordination between various departments to facilitate client orders, our sales teams would also pro-actively present product samples to our customers and meet with

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them to discuss their requirements, preferences and business aspirations, in order to improve our service offerings as well as gaining a more in-depth understanding of market conditions and trends.

Our sales force directly approach potential customers including amenity distributors and hotel and airline operators to initiate business relationships. We also identify new clients through referrals from our existing customers. In order to boost our direct sales, we plan to pro-actively participate in tenders for amenity supply contracts with hotel chains and airline operators in the Greater China Region and other Asian markets.

Our sales teams would evaluate our production capacities before accepting a sales order. We do not have long-term written sales contracts with most of our customers. Orders are frequently accepted upon oral agreement or via email or fax. Such practice is the industry norm.

In order to better serve and enhance our relationships with our customers in the Greater China Region as well as capturing our anticipated business expansion plans in China, apart from the sales department at our Pinghu Production Base in Shenzhen, we have also established sales offices in four major cities in the Greater China Region, namely Hong Kong, Beijing, Shanghai and Dalian, and plan to establish new ones in other major cities including Wuhan, Chongqing and Xian.

Sales markets

Geographically, North America, Europe, China, Hong Kong and other Asia Pacific countries were our five major markets during the Track Record Period. Set out below is a geographical breakdown of our source of revenue during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
	<i>(unaudited)</i>									
North America	156,122	44.5	210,657	41.5	263,897	38.4	114,021	36.4	146,937	38.3
Europe	71,186	20.3	95,898	18.9	170,794	24.8	81,743	26.1	84,997	22.2
PRC	50,178	14.3	66,441	13.1	90,310	13.1	38,970	12.4	53,186	13.9
Hong Kong	46,244	13.2	76,308	15.1	75,327	11.0	35,646	11.4	54,654	14.3
Other Asia Pacific countries ¹	22,216	6.3	51,859	10.2	71,815	10.5	35,764	11.4	35,845	9.3
Others ²	4,771	1.4	6,224	1.2	15,263	2.2	7,142	2.3	7,588	2.0
	<u>350,717</u>	<u>100.0</u>	<u>507,387</u>	<u>100.0</u>	<u>687,406</u>	<u>100.0</u>	<u>313,286</u>	<u>100.0</u>	<u>383,207</u>	<u>100.0</u>

Notes:

1. Other Asia Pacific countries mainly include Japan, United Arab Emirates, Thailand, Philippines, Malaysia and Singapore.
2. Others mainly include South Africa, Egypt, Morocco and Nigeria.

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Whilst we derived a majority of our revenue from our sales to overseas markets during the Track Record Period, our Directors believe that the rapid growth of the PRC economy together with the hosting of the Olympic Games in Beijing in 2008 and the World Expo in Shanghai and the Asian Games in Guangzhou in 2010 will present us with attractive business opportunities in China in the foreseeable future.

As our products have geographically diversified markets, our business is not subject to obvious seasonal factors.

Sales methods

Our products are sold either by direct sales and distributorship-sales to our customers primarily in the Greater China and Southeast Asian markets or to wholesale distributors and trading companies supplying other end-user groups in the other overseas markets. The proportion between our direct sales and distributorship sales during the Track Record Period is set forth in the table below.

	Year ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Distributorship sales ¹	284,795	81.2	407,545	80.3	531,743	77.4	242,209	77.3	290,352	75.8
Direct sales ²	65,922	18.8	99,842	19.7	155,663	22.6	71,077	22.7	92,855	24.2
Total	<u>350,717</u>	<u>100.0</u>	<u>507,387</u>	<u>100.0</u>	<u>687,406</u>	<u>100.0</u>	<u>313,286</u>	<u>100.0</u>	<u>383,207</u>	<u>100.0</u>

Notes:

1. Distributorship-sales customers mainly comprised of wholesale distributors and trading companies including certain major international amenities distributors and wholesalers.
2. Direct-sales customers mainly comprised of service provider customers such as hotels and airline operators.

For sales in the Greater China and Southeast Asian markets, with our roots and establishments in the region, we pride ourselves in our extensive and growing logistics and distribution network which enables us to procure sales directly with domestic hotel and airline operators. Whilst committing further resources into extending our current network to better serve our luxurious and top-ranking hotel and airline customers, we also plan to leverage on our logistics and distribution capabilities by entering into the mid-range and chain budget hotel markets in China.

For overseas sales, we have established a long-term business relationship with wholesale distributors and trading companies who supply other end-user groups in the overseas hotel and airline industries. This method of sales has enabled us to attain a wide consumer reach over a relatively short period of time with minimal on-the-ground investments, such that we could focus our resources on the production of quality products.

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Our Directors believe that it is in accordance with the industrial practice to sell our amenity products through distributors, particularly those sizeable and established wholesale distributors and trading companies of amenity products, in such overseas markets.

Customers

Our customers include wholesale distributors and trading companies, hotel chains and airline operators as well as some branded cosmetic and skin care companies and other retail business operators.

Direct-sales customers

We boast a direct-sales clientele of famous hotels, hotel chains and airline operators, including a number of leading household names in their respective industries such as Shangri-La Hotels and Resorts, Sheraton Sanya Resort, Diaoyutai State Guesthouse, JW Marriott Hong Kong, Hotel Nikko Hong Kong, Le Meridien Cyberport, Renaissance Kowloon Hotel, Cathay Pacific, Dragonair, and LSG Sky Chefs (a wholly-owned subsidiary of Lufthansa).

We also provide packing and filling service to other famous brandnames other than hotel and airline operators such as Crabtree & Evelyn (a renowned bath, body, fragrance and home company) and Molton Brown (an international retailer of innovative luxury goods) to whom we supply packing service and have the exclusive rights to distribute amenities of their brands to hotels in China. The sales to Crabtree & Evelyn and Molton Brown accounted for approximately 0.3% and 2.9% respectively of our total sales for the year ended 31 December 2006.

Distributorship-sales customers

Our distributorship-sales customers include major international distributors of amenity products such as Guest Supply, Guest International, JRS Amenities, Room Service Amenities, and Wessco, which supply amenity products to other internationally recognised end-user hotel chains and airline operators and certain small scale local distributors of amenity products in the PRC which supply amenity products to various local end-user hotels beyond our direct-sales coverage. We also supply small amounts of plastic covers for hospital surgical equipment and customer gift sets for retail businesses to other distributors including an overseas distributor of disposable medical devices and Paris Presents.

As at the Latest Practicable Date, we have about 550 distributors all of which are Independent Third Parties. Our major distributors are mainly based in North America and Europe. We do not usually enter into any formal or long-term distributorship agreements with our distributors. Under normal circumstances, our distributors would purchase our amenity products on a per order basis whenever they required additional inventory for distribution to their respective end-user groups including hotels and airline operators. The individual purchase orders would state, among others, the quantity of products required, the product specifications, and the purchase price for that particular order. In respect of our distributorship sales, we provide sales incentives to our major distributorship-sales customers usually in the forms of sales rebates and commissions as a percentage generally ranging

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from 0.5% to 3.0% of the sales amounts. We recognise revenue from the sales of goods to our distributorship-sales customers when the title to our amenity products has been passed to them, which is at the date when the customer receives and accepts the goods, and collectibility of the related receivables is reasonably assured. For further details of our revenue recognition policy, please refer to note (h) of our critical accounting policies in the section headed “Financial Information” in this prospectus. Our products are customised and tailor-made for our customers. Product samples are prepared in accordance with the clients’ specifications for confirmation before mass production. In the premises, the amount of return of goods was insignificant over the Track Record Period and accordingly we do not have any sales return policy.

We have no control over our distributors. We may not receive timely feedback in respect of sales information through our distributors. It is possible that our distributors may stuff up inventories for future demand instead of actual sales to end-customers.

Direct sales and distributorship sales

We focus on hotel chains and airline operators as direct-sales customers or end-user groups of our products as we believe that these customers and users have a substantial and stable recurring need for amenity products. Within the Greater China and Southeast Asian markets, we have taken advantage of our geographical location to establish a direct door-to-door logistics and distribution network to serve our direct-sales customers in these markets and to leverage on the recognised corporate identity in the industry to work. We also have certain small scale local distributors of amenity products to extend our coverage in the PRC. In other overseas markets, noting the vast geographical spread and in order to attain a wide consumer reach, we have relied on our wholesale distributor customers and other customers in the trading business. Most of our wholesale distributor customers and trading customers are sizeable and established groups with significant or dominant market share in the distribution of amenity products to hotel and airline industries, such as Guest Supply, Guest International, JRS Amenities, Room Services Amenities and Wessco. Our two largest customers are Guest Supply and Guest International, which are renowned amenity distributors in the United States and the United Kingdom respectively and with which we have enjoyed over 10 years of business relationship.

We do not usually enter into long term supply contracts for over one year with our direct-sales customers and our distributors. Nevertheless, we have enjoyed a stable and amicable business relationship of an average of 10 years with our major direct-sales customers and our distributors.

Judging from the product specifications and labelling requirements of our distributorship-sales customers, we have knowledge as to the end-user groups of hotels, hotel chains and airline operators to which our distributors are supplying. However, there is minimal overlapping in our direct-sales customers and the end-user groups of our distributorship-sales customers as our distributors are mainly serving overseas markets other than the Greater China Region and Southeast Asia where our direct-sales customers are principally located. We also have certain small scale local distributors in the PRC which supply amenity products to various local end-user hotels in the PRC beyond our direct-sales coverage.

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During the Track Record Period, our sales to a certain extent concentrated to a small number of customers or end-user groups. For the three years ended 31 December 2006 and the six months ended 30 June 2007, aggregate sales to our five largest customers, of which four are wholesale distributors and trading companies, accounted for approximately 32.2%, 31.0%, 34.4% and 33.5% of our total revenue respectively, whilst sales to our largest customer accounted for approximately 13.4%, 16.0%, 11.1% and 13.8% of our total revenue respectively. We have enjoyed not less than 10 years of business relationship with four of our five largest customers including our largest customer as at the Latest Practicable Date. For discussion of the underlying risk in relation to the concentration on certain major customers, please refer to the section headed “Risk Factors - We are dependent on certain major direct-sales customers and distributors” in this prospectus. None of our Directors or their associates or any of our existing Shareholders, whom to the knowledge of our Directors owns more than 5% of our issued Share capital, had any interest in any of our five largest customers during the Track Record Period.

Credit management and payment terms

For PRC domestic sales which are all denominated in Renminbi, approximately 99% of our invoices are settled by way of telegraphic transfers whilst the remaining invoices are settled by cash.

For overseas sales, customers settle their respective payment by various means including telegraphic transfer, irrevocable letters of credit at sight, cash, cheque, delivery against payment, delivery against acceptance 30 days in either US Dollars or HK Dollars.

We maintain prudent credit policies. Credit periods of between 30 to 60 days are usually offered to our PRC domestic customers, whilst we usually offer credit periods of between 7 to 90 days to our overseas customers. Our credit policies differ for different customers and are determined by reference to their credit standing, trading and payment records, annual sales volumes as well as our business relationships with them. Credit periods over one month are only offered after due vetting by our sales managers and sales Directors, and these are reviewed and re-assessed from time to time.

In terms of debt collection, as a matter of policy, we would send invoice reminders at 15 days and 30 days respectively after the relevant payment due dates. In the event that full payment is not received within 60 days after the relevant payment due date, we would freeze the customer’s account and suspend delivery to the customer until full settlement of all outstanding invoices. During the Track Record Period, we have not experienced any major problems with collecting our trade debts. As a prudent measure, however, we would make provision against account receivables which are considered to be uncollectible or unlikely to be collectible within a reasonable period of time. During the Track Record Period, the provision for bad and doubtful debts accounted for approximately 1.0%, 1.5%, 1.9% and 2.3% of our trade and bills receivables respectively.

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Pricing

We take into account a number of factors in determining the prices of our products including our production costs (such as raw material costs, labour costs and other overheads, logistics and distribution costs, and quality control costs), our target profits, product prices of our competitors and our market strategies for different customers. In order to reach the most favourable pricing for our products, we would from time to time set pricing targets, ascertain market demands, estimate our production costs and analyse our competitors' prices.

RAW MATERIALS AND SUPPLIES

A broad spectrum of raw materials and semi-finished accessories and components and finished products are sourced for our production processes. The principal raw or semi-raw materials we use include plastics, soap noodles, paper and sodium laureth sulphate. The principal semi-finished accessories and components and finished products that we source are those that we do not consider economical or profitable to produce in-house (including wooden products such as wooden clothes hangers, pens, socks, toothpaste and leatherware etc), and they are sourced from third party suppliers for further processing and customisation to meet our customers' requirements. For the three years ended 31 December 2006 and the six months ended 30 June 2007, our total raw material and supplies costs represented approximately 70.4%, 73.6%, 73.6% and 74.6% of our total costs of sale respectively.

Our sourcing department takes charge of all our sourcing needs, and comprised of 25 employees as at 30 June 2007. We purchase raw materials and supplies either through wholesale distributors or directly from raw material suppliers and finished products producers.

We do not have any long-term contracts with our suppliers and we are free to source the same raw materials or semi-finished and finished products from a number of suppliers. We believe this arrangement is advantageous to us in terms of maintaining a broad supply network to ensure that we source raw materials and supplies that are of the highest quality and competitively priced. Our established position and reputation in the industry as well as the large volume of our orders have enabled us to establish a good relationship with our suppliers. We have maintained business relationships of not less than three years with all of our five largest suppliers.

In order to ensure a high quality of supplies which would enhance consistency in our product qualities, we have a stringent system for selecting reliable and quality suppliers. Prior to engaging the suppliers, particularly suppliers of semi-finished and finished products, our sourcing team would conduct on-site visits and interviews with their senior management to understand the quality of their products, their manufacturing processes and quality control systems and their ability to comply with our specific quality requirements. The factors we consider in selecting suppliers include pricing, product quality, reliability and timeliness of delivery, as well as general market reputation. We maintain a list of approved suppliers for each type of raw materials and supplies, and the list is subject to periodical review and re-assessment. Our quality control teams would also provide regular reports and updates for re-assessment purposes.

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During the Track Record Period, we have not encountered any material production disruption due to shortages of supplies. Given our relationship with various suppliers, we consider that we are able to maintain a steady supply without any substantial increase in raw materials and supplies costs in the event that we should experience any unexpected disruptions in supply or any cessation of business with any of our major suppliers. The lead time for sourcing our supplies varies from two weeks to one month after placement of orders.

Our suppliers generally offer us a credit period of 30 and 60 days after delivery. Some new suppliers may require us to make down payment of up to 30% of our purchases. We settle payments with suppliers mainly by way of cheques and telegraphic transfers. Purchases are principally denominated and settled in HK Dollars and Renminbi.

For the three years ended 31 December 2006 and the six months ended 30 June 2007, purchases from our five largest suppliers amounted to approximately 17.4%, 20.9%, 21.7% and 18.4% respectively of our total purchases of raw materials and supplies. Our largest supplier accounted for approximately 5.4%, 5.9%, 5.7% and 4.9% of our total purchases of raw materials and supplies respectively for the three years ended 31 December 2006 and the six months ended 30 June 2007.

None of our Directors or their associates or any of our existing Shareholders, whom to the knowledge of our Directors owns more than 5% of our Company's issued share capital, has any interest in any of our five largest suppliers during the Track Record Period.

PRODUCTION

Production facilities

Production facilities at Pinghu

Our production facilities at Pinghu comprise of our Pinghu Production Base and our Pinghu Existing Workshop. During the Track Record Period, our main production lines were located at our Pinghu Production Base whilst certain production processes (such as the production of gift sets, sewing of travel kits and packaging of finished products) continued at our Pinghu Existing Workshop.

Our Pinghu Production Base commenced operations in 2003 and produces majority of our products. It occupies a total gross floor area of approximately 58,439 sq.m. and has an estimated production capacity of approximately 80.2 million pieces, 55.3 million pieces, 190.8 million pieces, 157.2 million pieces and 9.6 million pieces for shower caps, toothbrushes, chemical-based products, bath soaps and sewing kits respectively for the year ended 31 December 2006. Our Pinghu Production Base houses our production workshops, administration and office building, staff dormitories, warehouses and other ancillary facilities. We also established an advanced chemical and microbiological laboratory which is responsible for product formulation and certain chemical and microbiological testings to customise and ensure the qualities of our chemical-based products.

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The quality system of our production facilities at Pinghu first obtained ISO accreditation in 1998 and continued to conform with ISO management system standards as at the Latest Practicable Date. The chemical-based products produced at our Pinghu Production Base have been assessed to be compliant with the GMPC of the US FDA and the Council of Europe.

Production facilities at Luoding

Our Luoding Leased Factory came into operation in September 2006. It occupies a total gross floor area of approximately 12,401 sq.m. Our Luoding Leased Factory manufactures plastic products include mainly shower caps and laundry bags and sewing kits and has an estimated production capacity of approximately 13.2 million pieces of shower caps for three and a half months ended 31 December 2006 and 8.8 million pieces of sewing kits for four months ended 31 December 2006.

In view of the lower labour costs in Luoding, we have taken steps and will continue to relocate part of our labour-intensive production, such as product printing and packaging, from our Pinghu Production Base to our Luoding Leased Factory. As part of such relocation, we also intend to continuously replace some outdated machinery at our Pinghu Production Base with more advanced ones with higher productivity and relocate these replaced machinery to our Luoding Leased Factory. Besides, we have taken steps to relocate our production facilities for low-end production process at our Pinghu Existing Workshop to our Luoding Leased Factory.

In anticipation of business growth and hence the need for additional production facilities, we have signed a land transfer agreement with the Municipal Government of Shuangdong Town, Luoding City, Guangdong Province (廣東省羅定市雙東鎮人民政府) in respect of land use rights over a piece of land at Luoding for construction of our Luoding Production Base. Details of the piece of land are set out in Appendix IV to this prospectus. The total consideration for land use rights over the said piece of land is approximately RMB10.0 million. As at 30 June 2007, we had invested approximately RMB3.7 million in the piece of land at Luoding mainly as prepayment for the acquisition of the land use rights. Based on the approval dated 9 March 2007, the Office of Lands and Resources of Guangdong Province (廣東省國土資源廳) had approved to convert the nature of the said land from agricultural land to construction land. Construction of our Luoding Production Base has not yet commenced as reclamation of the land and relevant land transfer procedures are still in progress. Upon completion of our Luoding Production Base, which is currently expected to be in early 2009, we plan to relocate our production process at our Luoding Leased Factory to our Luoding Production Base.

Taking into consideration the labour skills, labour costs and other ancillary operating expenses, whilst our production sites at Pinghu focus on products that require more advanced production technologies, our production sites at Luoding supports more labour-intensive production processes.

Concurrently, we are exploring locations other than Luoding with good potentials for establishment of our new production sites although no concrete steps have been taken nor agreements signed. In the premises, our new production facilities may not be necessarily

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constructed at Luoding but other locations which are beneficial to us as a whole taking into consideration factors such as cost impact on relocation, government policy in favour of manufacturing business in particular of foreign enterprises, abundance of labour and proximity to our PRC customers. In case we do not proceed with our Luoding Production Base, we would dispose of our current interest in the said piece of land originally planned for its construction. Our Directors expect that we will not incur any material losses as a result of such disposal.

Production capacity and utilisation

For the three years ended 31 December 2006 and the six months ended 30 June 2007, the estimated maximum production capacity, the actual production volume and the utilisation rate of the production facilities for our major products are set forth below:

Production facilities at Pinghu

Products	Year ended 31 December									Six months ended 30 June		
	2004			2005			2006			2007		
	Estimated maximum production capacity ¹	Approximate actual production capacity	Approximate utilisation rate	Estimated maximum production capacity ¹	Approximate actual production capacity	Approximate utilisation rate	Estimated maximum production capacity ¹	Approximate actual production capacity	Approximate utilisation rate	Estimated maximum production capacity ⁴	Approximate actual production capacity	Approximate utilisation rate
	('000 pieces)	('000 pieces)	(%)	('000 pieces)	('000 pieces)	(%)	('000 pieces)	('000 pieces)	(%)	('000 pieces)	('000 pieces)	(%)
Shower caps	88,826	70,079	78.9%	91,104	76,414	83.9%	80,184	77,152	96.2%	10,764	816	7.6% ⁵
Toothbrushes	55,255	26,601	48.1%	55,255	32,869	59.5%	55,255	42,945	77.7%	27,628	21,717	78.6%
Chemical-based products	93,475	69,785	74.7%	153,972	120,505	78.3%	190,819	173,649	91.0%	179,634	131,613	73.3% ⁶
Bath soaps	117,936	42,668	36.2%	131,040	72,107	55.0%	157,248	100,005	63.6%	78,624	59,005	75.1%
Sewing kits	13,728	10,556	76.9%	13,728	12,295	89.6%	9,610	8,024	83.5%	-	-	- ⁸

Our production facilities at Pinghu above represent the production facilities at our Pinghu Production Base as our Pinghu Existing Workshop does not engage in production of the products mentioned in the above table.

Production facilities at Luoding

(i) Luoding Leased Factory

Products	Year ended 31 December									Six months ended 30 June		
	2004			2005			2006			2007		
	Estimated maximum production capacity ¹	Approximate actual production capacity	Approximate utilisation rate	Estimated maximum production capacity ¹	Approximate actual production capacity	Approximate utilisation rate	Estimated maximum production capacity ¹	Approximate actual production capacity	Approximate utilisation rate	Estimated maximum production capacity ⁴	Approximate actual production capacity	Approximate utilisation rate
	('000 pieces)	('000 pieces)	(%)	('000 pieces)	('000 pieces)	(%)	('000 pieces)	('000 pieces)	(%)	('000 pieces)	('000 pieces)	(%)
Shower caps ²	N/A	N/A	N/A	N/A	N/A	N/A	13,195	9,580	72.6%	32,760	18,884	57.6% ⁵
Sewing kits ³	N/A	N/A	N/A	N/A	N/A	N/A	8,793	5,086	57.8%	20,132	3,359	16.7% ⁷

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Our production facilities at Luoding above represent the production facilities at our Luoding Leased Factory.

(ii) Luoding Production Base

We currently expect that our Luoding Production Base will be completed and commence operations in early 2009. Our Luoding Production Base is expected to have an annual production capacity of approximately 187.2 million pieces, 124.8 million pieces and 62.4 million pieces of chemical-based products, toothbrushes and bath soaps respectively by the end of 2009.

Notes:

1. The estimated maximum production capacity of each product is based on the estimated maximum daily production capacity of the relevant product, assuming an operational month of 26 days and calculated for a 12-months period.
2. Production of shower caps at Luoding only commenced in mid-September of 2006. The relevant figures for the year ended 31 December 2006 are therefore calculated on the basis of operations for 3.5 months.
3. Production of sewing kits at Luoding only commenced in early-September in 2006. The relevant figures for the year ended 31 December 2006 are therefore calculated on the basis of operations for 4 months.
4. The estimated maximum production capacity of each product is based on the estimated maximum daily production capacity of the relevant product, assuming an operational month of 26 days and calculated for a 6-months period.
5. The decrease in the approximate utilisation rate is due to (i) the continuous relocation of production facilities of shower caps from Pinghu to Luoding and (ii) the increasing outsourcing of the production of shower caps resulting in an overall decrease in the actual production capacity of shower caps at Pinghu and Luoding as shower caps are low-margin products.
6. The decrease in the approximate utilisation rate is mainly due to the implementation of new production facilities in view of the increasing sales and hence, the estimated maximum production capacity of chemical-based products.
7. The decrease in the approximate utilisation rate is mainly due to (i) the substantial increase in estimated maximum production capacity of sewing kits as a result of relocation of production facilities of sewing kits from Pinghu to Luoding and (ii) the increasing outsourcing of the production of sewing kits resulting in a decrease in actual production capacity of sewing kits at Pinghu and Luoding as sewing kits are low-margin products.
8. We have ceased to manufacture sewing kits in Pinghu since the beginning of the year 2007 and relocated our production facilities of sewing kits to Luoding.

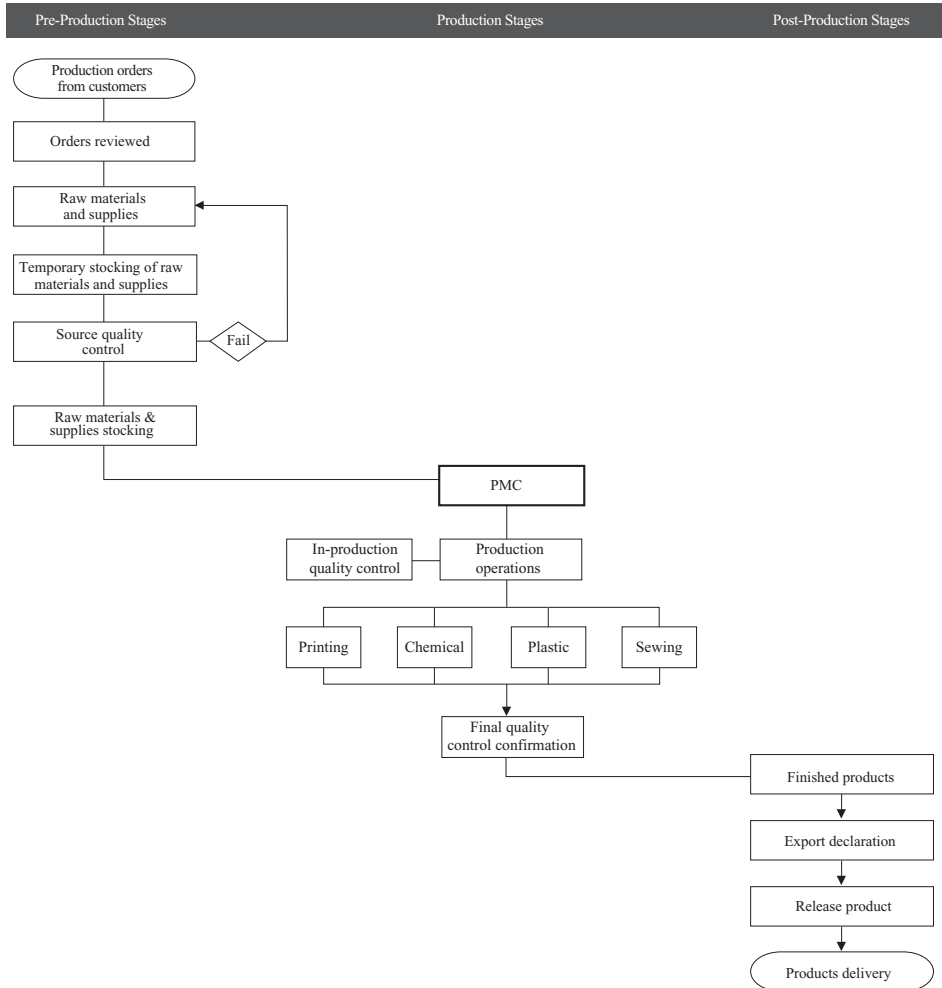
Production process

The production process of our self-produced amenity products is vertically integrated, from product design and sourcing and procurement of raw materials, to manufacturing and packaging, and finally delivery and distribution logistics. In addition to the product mixture itself (such as shampoo and conditioner liquids, moisturiser mixtures and bath soap), we also manufacture the packaging (such as plastic bottles, tubes and paper boxes) for our products. We believe that such vertical integration enables us to maintain a tight control over

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production lead time and product quality. Products which we do not self-manufacture but which we process for customisation, including wooden products such as wooden clothes hangers, pens, socks, toothpaste and leatherware, are sourced from third party manufacturers.

Our operation process can be illustrated by the flowchart below:



Our operation process aims at achieving on-time delivery of products to our customers. All production orders from our customers are assessed by our PMC unit to ensure we have the necessary production capacity, and raw materials and supplies to timely fulfill such orders. If additional raw materials and supplies are required for the production orders, our PMC unit will issue materials sourcing lists to our sourcing department for relevant procurement.

The raw materials and supplies sourced are temporarily stocked up pending source quality control performed by our quality control unit. Random checks on a sampling basis are performed on the raw materials and supplies sourced and any substandard raw materials and supplies are returned to the suppliers.

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Our PMC unit is responsible for preparing production plans for each production order. The implementation of the production plans is reviewed weekly to ensure that our operations are not overloaded. If necessary, certain parts of our production will be outsourced to third party manufacturers.

Our production department manufactures the required products according to the production plans laid down by our PMC unit. Our production operations can be further classified into four main sections, namely printing, chemical, plastic and sewing. Our production process adheres to ISO9001 standards. In-production quality control is performed during the course of production. Moreover, various product checks and testings are carried out at each stage of production process up to product packaging. Our quality control personnel would also perform final quality control checks and AQL checking before sending the finished products to the warehouses pending delivery to customers.

QUALITY CONTROL

Our commitment to maintaining high product quality is an important factor to which we attribute our success. We have implemented stringent quality management measures in line with PRC and international standards to ensure that our products meet the expectations of our customers. Quality control is maintained throughout our production process, from the sourcing of raw materials and supplies to the manufacturing processes as well as the distribution of finished products. We also solicit feedbacks from our service provider customers, such as hotel and airline operators, on the quality standards of our products. This enables us to identify any problematic issues, which would then be addressed through modifications in our product design and formulation and/or improvements to our quality control procedures.

We adhere to ISO9001 standards and procedures in our purchase of raw materials and supplies, production process, storage, packaging and delivery of products and staff training. We first obtained ISO accreditation for our quality system in 1998 and continued to conform with ISO management system standards as at the Latest Practicable Date.

Our chemical-based products are accredited for compliance with GMPC covering production facilities, sourcing of raw materials, production process, storage, waste disposal, hygiene and pest control, substandard products management, staff training, outsourcing production and documentation, which means that our chemical-based products are all produced in accordance with the GMPC standards currently applied in the United States and Europe.

Our chemical-based products are also approved by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中國質量監督檢驗檢疫總局) and Guangdong Food and Drug Administration (廣東省食品藥品監督管理局) pursuant to the Industrial Products Manufacturing Permit (全國工業產品生產許可證) issued in February 2003 and the Hygiene Permit (衛生許可證) issued in November 2005 respectively.

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Quality control is carried out principally by our quality control department which ensures that all incoming raw materials and supplies and outgoing finished products pass through our quality control process and meet our quality control standards. Due to the specific expertise and technology involved, quality control in respect of our chemical production is carried out by specific teams within chemical production unit of our production department.

The principal quality control procedures applied during our production process are set forth below:

Source quality control

Apart from our stringent supplier selection system, our quality control personnel inspect incoming raw materials and supplies on a sampling basis before they are stored into our warehouses for future use. We maintain a certain AQL for incoming raw materials and supplies. If the amount of substandard raw materials and supplies exceeds our AQL, we will return the entire batch of raw materials and supplies to our suppliers. Due to specific techniques and expertise involved, quality control including sophisticated bio-chemical testing over raw materials for our chemical production is carried out by personnel from our chemical production unit in our advanced chemical and microbiological laboratory.

In-production quality control

During the production stages, our quality control staff and production department work closely together to monitor the quality of semi-finished products. We conduct various quality control tests at different checkpoints upon completion of various production stages. Methods generally adopted include visual inspection, key specification checks and functional checks, and weights and volumes checks. Only those semi-finished products which pass the quality testing are allowed to proceed to the next stage of production. We also issue production process flowcharts and specifications for each semi-finished product, which must be strictly complied with during the production process.

Final quality control check

Random checks are performed over our finished products based on our standard checking requirements for each type of products. Similar to incoming quality control, we maintain a certain AQL for our finished products. If the amount of substandard finished products exceeds our AQL, the whole batch of finished products will be returned to the production units. Finished products which have passed our quality checks are packed into cartons, properly labelled and sent to the warehouses for storage before delivery.

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LOGISTICS AND DISTRIBUTION

Warehousing and inventories

Our inventory mainly comprises of raw materials and supplies, work in progress and finished goods, all of which are stored in our warehouses. Our major warehouses are located at our Pinghu Production Base and occupy a total gross floor area of approximately 13,831 sq.m. Apart from our warehouses at our Pinghu Production Base in Shenzhen, PRC, we have also set up warehouses in Malaysia, Singapore and two other major cities in Greater China, namely Hong Kong and Shanghai, to support our direct sales in these markets.

In order to ensure that our production process will not be interrupted as a result of supply shortages and that we have sufficient finished products available to meet customers' orders, we normally keep a certain minimum level of inventories. To enhance customer loyalty and provide premium customer service, we also maintain a minimum standby stock level of amenity products for certain major customers to ensure a steady and responsive supply to them.

We have put in place the following inventory management procedures to monitor our inventories:

- all purchases of raw materials and supplies must be authorised and approved by staff of managerial level of our sourcing department and recorded in our inventory management system;
- all outgoing raw materials and supplies for production use must be authorised by a production manager and recorded in our inventory management system;
- all finished goods are acknowledged by customers upon delivery and recorded in our inventory management system; and
- we conduct inventory verifications and inspections at our warehouses on a regular basis. This approach allows us to confirm the accuracy of the information recorded in our inventory management system and to identify our obsolete or slow-moving inventories.

We carefully monitor the level of our stock of raw materials and supplies, work in progress and finished goods to minimise their storage time. All inventories entering into our warehouses are tagged with labels specifying their relevant dates of entry such that we are able to consume available raw materials and supplies and retrieve our finished products on a first-in-first-out basis. During the Track Record Period, we have not encountered any material issue with obsolete inventories. Our average inventory turnover for the three years ended 31 December 2006 and the six months ended 30 June 2007 were 46.5 days, 41.1 days, 39.5 days and 44.2 days respectively.

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Transportation and distribution

We outsource most of our delivery of products to third party logistics providers in different regions. These outsourcing arrangements allow us to reduce our capital investment and eliminate the risk of liability for accidents in transit, delivery delays or loss, as our logistics providers will bear such risks. We re-evaluate the credentials and performance of our logistics providers on a periodic basis and terminate those providers with unsatisfactory service. We establish long-term business relationships with quality logistics providers in order to lower the risk of losses arising from performance failure of these logistics providers.

We also have our own transportation teams in Hong Kong and Shenzhen which are responsible for the transportation of products from our production sites to the ports of Hong Kong and Yantian for export and may assist direct product delivery to customers where necessary. Our in-house transportation teams enable us to have greater flexibility and better control over our time management in product transportation and ensure timely delivery of products to our customers.

We deliver our products mainly by truck. For overseas customers, we generally use sea freight. We use Hong Kong and Yantian as our major ports for handling shipping for our exports and purchasing raw materials from overseas.

Our Directors confirm that to the best of their knowledge we have not suffered any material loss or paid any material compensation as a result of delays in product delivery during the Track Record Period.

DESIGN

Our strong design capabilities are crucial in maintaining our position for providing customised products to our customers which in turn differentiate ourselves from other amenity products suppliers.

We have a specialised product design team of 16 employees as at the Latest Practicable Date. They are subordinated to our sales and marketing department. Most of our design personnel either have degrees in product design and related subjects or have extensive experience in the relevant areas. They are also trained for the latest trends. Our design personnel would meet with the customers to discuss their requirements and preferences. They would provide samples of our designed packagings which are then presented to our customers by our sales personnel.

Our strong design capabilities enable us to design a wide and comprehensive range of amenity products for luxurious and top ranking hotels and hotel chain operators, such as Sheraton Sanya Hotel, Hotel Nikko Hongkong and Mission Hills. This in turn enhances the loyalty of our customers towards our products.

We believe that our strong design and customisation capabilities enable us to provide essential value-added services to our customers which cannot be provided by other general OEM amenity suppliers.

CHEMICAL PRODUCTION

We manufacture some chemical-based products at our Pinghu Production Base. The chemical-based products we manufacture include shampoo, hair conditioner, shower gel, lotion and other personal healthcare products.

The manufacturing of our chemical-based products is performed by the chemical production unit of our production department. The chemical production unit also performs the following functions of quality assurance of our chemical production process including incoming chemical raw materials quality checking and research and development of chemical-based product formulations.

We have our in-house chemical and microbiological laboratory and employ relevant professional technicians for its operations. Most of our professional technicians have received tertiary education majoring in chemical or microbiological studies or related subjects. They have extensive experience in chemical and microbiological laboratory testing.

Quality assurance

Due to the specific expertise and technology involved, quality control in respect of our chemical production is carried out by our chemical production unit. Our professional technicians conduct relevant sampling and testing to ensure the quality and multiplicity of our chemical production.

We perform various chemical and microbiological testing in-house, such as the testing of raw materials, quality of reverse osmosis water, semi-finished products and finished products. We monitor our products by different aspects: (1) their physical properties determined by their appearance, colour, fragrance, pH value, heat-resistance and cold-resistance; and (2) their chemical and microbiological properties determined by the contents of microorganism, heavy metals, peroxides, and other toxic materials. The chemical-based products produced at our Pinghu Production Base have been assessed to be in compliance with the GMPC standard of the FDA and the Council of Europe.

Research and development

Whilst our product design team focuses on the development of product and packaging designs, our research and development team focuses on the development of and improvement to our chemical-based product formulations which are applied in our chemical-based products manufactured for our direct-sales customers or end-user groups through distributorship sales, or otherwise under our in-house brands.

We develop new product formulations to provide an extensive array of choices for our customers. In order to provide a tailor-made service, we would also accept customers' requests to modify product formulations to suit their respective needs and marketing strategies. We have not undergone and expect not to undergo any animal testing in the development of our chemical-based product formulations.

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The table below sets out the number of product formulations we developed during the three years ended 31 December 2006 and six months ended 30 June 2007.

	Year ended 31 December			Six months ended 30 June
	2004	2005	2006	2007
	No. of product formulations developed			
– Shampoo	9	8	43	18
– Conditioner	10	12	26	16
– Bath gel	9	16	68	31
– Lotion	6	26	96	63
– Others	3	19	9	7
Total	37	81	242	135

The research and development fees incurred by us during the Track Record Period mainly represent salary expenses of certain production staff. They are responsible for product development as well as the daily production process. Historically, we have not separately recorded the related costs into separate accounts. Our staff costs are all included in costs of sales. All research & development expenses were expensed off when incurred during the Track Record Period.

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AWARDS AND RECOGNITION

We and our products have received awards and recognition from various trade associations and governmental bodies. The key awards and recognition include the following:

Year of grant	Awards/recognition	Awarding body
2007	Global Hotel Five Star Golden Diamond Award – Top Ten Brand Suppliers in Chinese Hotel Industry (全球酒店“五星金鑽獎”- 中國酒店業十大品牌供應商)	Global Hotel Development and Research Centre / International Media Information Group / International Financial Association / Travel Channel / Global Hotel Forum Organisation) (全球酒店發展研究中心 / 國際傳媒資訊集團 / 國際金融協會 / 旅遊衛視 / 全球酒店論壇組織)
2006	Airline Amenity Bag Awards 2006 (航空旅行套裝產品獎)	Travel Plus Magazine (Travel Plus 雜誌)
2005	Special Honour prize for the ten most Excellent Suppliers in China (中國十大優秀供應商特別榮譽獎)	Chinese Cultural Development Foundation Association (中華文化發展基金會) United VIP Trade Association (直通VIP聯合商會) Sino-Foreign Hotel Forum (中外酒店論壇) International Asia-Pacific Informatics Group (亞太國際資訊集團)

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COMPETITION

We operate in a competitive industry characterised by a large number of participants, changing market demands and increasing customer standards.

As we engage in both manufacturing and supply of amenity products, we consider that both amenity product manufacturers and suppliers are, to a certain extent, our competitors. Our major competitors focus on single-use hotel room amenity products as their major products, but with different business models and target markets.

Our competitors in the PRC market are mainly small-sized local manufacturers. We compete with such competitors principally in terms of pricing while we enjoy apparent advantages over our competitors on product qualities, customer service, design and product formulation capabilities, logistic and distribution capabilities and varieties of product offerings. Such competitors are small in size and not “one-stop shop” providing a full range of amenities products. Although these local manufacturers with smaller-scaled operations may be in a position to penetrate into the PRC domestic market, our Directors believe that our established market position in the amenity industry, our high product qualities and our continuous dedication into research and technology as well as our economies of scale enable us to out-perform such domestic competitors.

In our overseas markets, we face competition from a wide range of competitors, large and small. While we may have competitive weaknesses in terms of our financial ability, business network, size of production and production technologies, our Directors believe that our geographical base location in the PRC and hence our relatively lower costs of production still prove to be competitive advantages over our overseas competitors.

We consider that to establish business operations comparable to our Group with advanced production facilities, massive production capacity, quality management system, profound manufacturing and operation know-how requires substantial capital and time commitment which constitutes significant barriers to entry for new entrants. However, we also consider that such entry barrier is not prohibitively high that new entrants also from time to time pose potential competition to our business.

Although we face competition and potential competition as described above, given our competitive strengths as set out in the section headed “– Competitive Strengths” above in this prospectus and the competitive advantages over our competitors as described above, we believe that we are one of the most competitive players in the industry.

INSURANCE

We have exercised prudent risk management control over our operations. In doing so, we have maintained a number of insurance plans for the purposes of covering against different aspects of risks. We maintain property insurance to cover for our principal fixed assets, machineries, raw materials and supplies and finished products, personal accidental insurance, vehicle insurance, public liability insurance against third party personal injury and property damage caused by us within the PRC and product liability insurance.

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We believe that our insurance coverage as compared with our peers in the industry is adequate for our operations. Our Directors confirm that we did not make any material insurance claims during the Track Record Period.

ENVIRONMENTAL PROTECTION

Our manufacturing operations are all carried out in China and hence we are subject to the relevant PRC environmental laws and regulations.

For details of the relevant environmental laws and regulations in China that are applicable to our business and operation, please refer to the section headed “Regulations” in this prospectus.

The air pollutants produced from our operations include odour from the plastic moulding and injection machines, organic gas from the printing machines, combustion emission from the electricity generators, and soot from the canteen kitchens. The amount of air pollutants discharged during our operations is relatively small and well within the applicable regulatory standards. Ventilators and other equipment are installed to filter the pollutant emissions before discharge into the atmosphere and the emission ducts are specifically positioned in order to reduce air pollution to the surrounding areas.

The water pollutants produced from our operations are mainly wastewater discharged from the cleansing process for our chemical production and printing facilities and other domestic sewage. Such wastewater will undergo a neutralisation process before it is centrally stored for collection by our contracted PRC state-qualified waste collection company. We have installed sewage treatment facilities to handle our domestic sewage which reduces the level of ammonia, nitrogen and phosphorous before external discharge.

Our solid wastes include normal industrial wastes such as scrap packaging and plastic materials, domestic wastes and certain dangerous and toxic wastes. We have contracted a PRC state-qualified collection company to handle our dangerous and toxic wastes discharged from our production process. The PMC unit of our production department also endeavours to plan for the most efficient use of our raw materials. Certain raw materials left over from the production process such as scrap plastics are reused.

The operation of our machines and electricity generators generates noise which is within acceptable regulatory standards.

Our personnel responsible for environmental protection are also responsible for production safety as mentioned in the section headed “– Social Compliance – Production safety” in this prospectus. These personnel work to ensure that our operations comply with the applicable laws and regulations regarding environmental protection. They have participated in planning and supervising the installation of the sewage treatment facilities to handle our domestic sewage before discharge. Furthermore, they are involved in the consultation with external consultancy company engaged by us on environmental protection issues and compilation of detailed reports regarding pollution level and remedial measures

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for submission to the relevant governmental authorities. They also have experiences in dealing with relevant authorities for approval for transfer and disposal of industrial wastes produced during operations.

As our Directors have confirmed that we had complied with applicable environmental protection laws and regulations in the past, we do not have any present plans to specifically address any potential future risk regarding environmental protection issues.

During the three years ended 31 December 2006 and six months ended 30 June 2007, our expenditure in compliance with the relevant laws and regulations in respect of environmental protection were approximately HK\$0.02 million, HK\$0.04 million, HK\$0.08 million and HK\$0.26 million respectively. We expect to spend approximately HK\$0.37 million and HK\$0.23 million respectively for the two years ending 31 December 2008 in this regard.

As advised by our PRC legal advisers, based on the certification issued by Shenzhen Environmental Protection Bureau (深圳市環境保護局) dated 11 May 2007, Ming Fai Shenzhen has not been subject to any administrative punishment due to violation of PRC environmental protection laws and regulations in the preceding three years prior to the date of certification. In addition, based on the certification issued by Luoding Environmental Protection Bureau (羅定市環境保護局) dated 21 June 2007, Luoding Quality Amenities has not been subject to any administrative punishment due to violation of PRC environmental protection laws and regulations since its establishment.

SOCIAL COMPLIANCE

The relevant PRC laws and regulations relating to social, health and safety issues applicable to our operations in China are set forth in the section headed “Regulation – Social, Health and Safety Issues in the PRC”.

Product safety and quality

We believe stringent control over our quality standards is one of our competitive strengths as compared with our competitors. We have implemented stringent quality management measures in line with PRC and international standards to ensure that our products meet the expectations of our customers and applicable safety and quality standards. Please refer to the section headed “– Quality Control” in this prospectus for further details about the quality control measures throughout our operations.

Production safety

We emphasise on health and production safety of our employees. We have implemented measures at our production facilities to promote occupational safety and to ensure compliance with applicable laws and regulations.

We have a designated occupational safety team with eight personnel responsible for the administration and promotion of occupational safety. Four of them have completed the safety officer training programme (安全主任資格課程) organised by Shenzhen Safety Production

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Investigation Bureau (深圳市安全生產監督管理局) while two of them have already obtained the registered license of the aforesaid programme. We publish bulletins with occupational safety discussions to promote the importance of and to raise the awareness of occupational safety among our employees. We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, warehouse safety, electricity safety, work-related injuries and emergency and evacuation procedures. We maintain a general register with the records of accidents and dangerous occurrences. We have installed appropriate fire safety equipment. We also organise fire drills and provide fire prevention training to our staff.

We consider that sufficient measures have been taken to ensure compliance with the relevant laws and regulations. We confirm that our operations were in compliance with the applicable safety laws and regulations in all respects and we did not experience any accidents that, individually or in the aggregate, had a material effect on our financial condition and results of operations during the Track Record Period.

During the three years ended 31 December 2006 and six months ended 30 June 2007, our expenditure in compliance with the relevant laws and regulations in respect of production safety responsibility were approximately HK\$0.89 million, HK\$0.12 million, HK\$0.47 million and HK\$0.16 million respectively. We expect to spend approximately HK\$0.29 million and HK\$0.27 million for the two years ending 31 December 2008 in this regard.

Social welfare

According to the applicable PRC laws and regulations in relation to social insurance, we shall attend to basic pension insurance, basic medical insurance, unemployment insurance, job-related injury insurance and maternity insurance. We are also required to make housing provident fund contributions for our employees. For details of our compliance with the PRC laws and regulations in respect of social welfare insurance and housing provident funds, please see the section headed “Directors, Senior Management and Employees – Employees – Social Welfare” in this prospectus.

PROPERTIES

Production Facilities in the PRC

Pinghu Production Base

Our Pinghu Production Base is situated on two adjacent parcels of lands of areas of approximately 25,872 sq.m. (“Pinghu Land I”) and 27,371 sq.m. (“Pinghu Land II”) respectively at Hediling, Bainikeng Village, Pinghu Town, Longgang District, Shenzhen City, Guangdong Province in the PRC.

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(i) *Pinghu Land I*

We own and occupy Pinghu Land I on which we build the following major building structures of our Pinghu Production Base with a total gross floor area of approximately 39,552 sq.m.: (1) workshop no. 1, (2) workshop no. 2, (3) administrative building, (4) dormitory no. 1, (5) dormitory no. 2, (6) office building, (7) paper warehouse, and (8) dangerous goods warehouse. According to our PRC legal advisers, save for the building structures nos.(6) to (8) with a total gross floor area of approximately 1,323 sq.m., we have obtained valid title certificates for all these premises. In respect of building structures nos.(6) to (8), Ming Fai Shenzhen has beneficial ownerships to the premises. The absence of valid title certificates is due to the fact that we had not fulfilled the relevant construction approval procedures (報建批准手續). According to our PRC legal advisers, there is no legal impediment to us obtaining the relevant title certificates for these premises upon completion of the relevant construction approval procedures.

However, we currently do not intend to proceed with the relevant construction approval procedures as our Directors consider that the said premises, being offices and warehouse facilities with a total gross floor area of approximately 1,323 sq.m. only, are not crucial to our production process or our operations as a whole. Our Directors believe that there is alternative site nearby for relocation and the relocation costs and effect to our operations would be minimal in the event that we were required to relocate from such premises. The time required for relocation would be approximately 14 days and the relevant relocation costs would be approximately RMB55,000. In any event, our Controlling Shareholders have agreed to indemnify us against the costs, expenses, losses and damages for such relocation.

(ii) *Pinghu Land II*

Pursuant to a leasehold agreement dated 26 September 2002 with Bainikeng Village Committee (白泥坑村委會), an Independent Third Party, we lease and occupy for a term of 50 years commencing on 1 January 2002 Pinghu Land II on which we build the following major building structures of our Pinghu Production Base with a total gross floor area of approximately 18,887 sq.m.: (1) big warehouse, (2) dormitory for Hong Kong staff, (3) store, (4) canteen and kitchen and (5) bathroom. We have not obtained valid title certificates for all these premises.

The said premises are situated on agricultural collective lands (農民集體所有土地). According to the Land Management Law of the PRC (《中華人民共和國土地管理法》), agricultural collective lands are not allowed for grant, transfer or lease for non-agricultural construction. In practice, according to our PRC legal advisers, due to the rapid industrial and commercial growth but comparatively slow progress of legislation in relation to urbanisation of villages in China, it is a common phenomenon (particularly in Shenzhen) for village collective economic bodies to transfer or lease agricultural collective lands for industrial or commercial use prior to obtaining valid title certificates or completion of necessary legal procedures.

According to the Decision in relation to Deepening the Reformation of Stringent Land Management (《關於深化改革嚴格土地管理的決定》) promulgated by the State Council and the Measures of Transfer of Land Use Rights of Collective Construction Lands of Guangdong

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Province (《廣東省集體建設用地使用權流轉管理辦法》) promulgated by the People's Government of Guangdong Province, agricultural collective lands can be legally transferred upon fulfilment of relevant necessary applications and approval procedures.

Pursuant to the Certain Regulations for Dealing with Historical Illegal Building Structures of Manufacturing Operations of Shenzhen (《深圳經濟特區處理歷史遺留生產經營性違法建築若干規定》) (“Certain Regulations”) promulgated by the Standing Committee of the People's Representatives of Shenzhen City on 19 December 2001, building structures for industrial premises which have not been approved by the PRC relevant government departments of lands and resources prior to 5 March 1999, nor obtained relevant construction permits, and are constructed on lands occupied illegally, valid titles can be confirmed upon payment of fines and fulfilment of land reclamation and transfer procedures under the Certain Regulations.

Bainikeng Village Committee has titles over Pinghu Land II and has rights to lease to us upon completion of the procedures for approval of conversion into construction land. Up to the date hereof, Bainikeng Village Committee has not yet completed the relevant approval procedures and our PRC legal advisers are therefore unable to confirm the legality of the leasehold agreement of Pinghu Land II. Once we obtained the real estate certificates for our building structures on Pinghu Land II, the lease by Bainikeng Village Committee can be legally confirmed.

The buildings erected on Pinghu Land II were self-constructed by Ming Fai Shenzhen. In accordance with the Certain Regulations, Ming Fai Shenzhen shall pay the fine pursuant to the standard rate of RMB30/sq.m. of gross floor area and the total amount Ming Fai Shenzhen might be required to pay regarding such premises with a total gross floor area of approximately 18,887 sq.m. is approximately RMB567,000. Our Controlling Shareholders have agreed to indemnify us should such fine were imposed on Ming Fai Shenzhen.

We have taken steps to rectify our titles over such premises by making necessary applications to the relevant governmental authorities for relevant land reclamation and transfer procedures rectification. However, as advised by our PRC legal advisers, the rectification procedures are comparatively complicated and the rectification applications are still in process by the relevant authorities. We therefore cannot ascertain whether we would be able to obtain valid titles over such premises. Nevertheless, we currently expect to complete the relevant rectification by the end of 2008. Pending the outcome of such applications, we may be required by the relevant governmental authorities to vacate from such properties. However, our Directors confirm that we have not received any vacation notice or decision issued by the relevant governmental authorities. If at any time we received vacation notice or decision from the relevant authorities, we would relocate from such premises. If we were forced to evict from Pinghu Land II, the net book value of the buildings erected thereon as at 31 December 2006 that might need to be written off would be approximately HK\$13.5 million. Our Controlling Shareholders have agreed to indemnify us for the losses and damages in relation to such written-off net book value of the buildings at the relevant time erected on Pinghu Land II until the title defect is rectified should we be forced to evict from the buildings by the relevant authorities.

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In the event that we were required to relocate from such premises, there would be alternative site nearby for relocation and our Directors currently estimate that the costs of such relocation would be approximately RMB680,000 and the time required for completing such relocation would be approximately three weeks. Given that such premises are used for non-production purposes and therefore not crucial to our operations, replacement premises can be easily identified with relatively small amount of relocation costs and short time for relocation, our Directors do not anticipate any significant suspension of our production as a result of any such relocation. Our Controlling Shareholders have agreed to indemnify us against the costs, expenses, losses and damages for the relocation from such premises.

Pinghu Existing Workshop

We occupy another parcel of land with an area of approximately 4,400 sq.m. at Nijukeng, Hediling, Bainikeng Village, Pinghu Town, Longgang District, Shenzhen City in the PRC ("Pinghu Land III"), which is leased from Ming Fai Plastic Industrial Co, a related party. Ming Fai Plastic Industrial Co is a related party of us and a partnership established by our Founders and Mr. Ching Chi Keung in 1984, which was principally engaged in the manufacture of shower caps but has already ceased operations except for its ownership of our Pinghu Existing Workshop. We also occupy the building structures situated on Pinghu Land III, which are also leased from Ming Fai Plastic Industrial Co. The leased building structures have a total gross floor area of approximately 2,376 sq.m. and comprise of: (1) workshop no.1 and (2) electricity transformer room and ancillary office. In addition to the leased building structures, Ming Fai Plastic Industrial Co subsequently constructed two other building structures of a total gross floor area of approximately 8,686 sq.m. on Pinghu Land III which are: (1) workshop no.2, and (2) workshop no.3.

Due to similar issues relating to agricultural collective land as in the case of Pinghu Land II, valid title certificates had not been obtained in respect of such premises in Pinghu Land III. Applications have been made to the relevant governmental authorities for relevant land reclamation and transfer procedures rectification according to the Certain Regulations. However, as advised by our PRC legal advisers, since the rectification procedures are comparatively complicated and the rectification applications are still in process by the relevant authorities, we could not ascertain whether valid titles over such premises could be obtained. Nevertheless, we currently expect the relevant rectification to be completed by the end of 2008. Pending the outcome of such applications, however, we may be required by the relevant governmental authorities to vacate from such properties. However, our Directors confirm that we have not received any vacation notice or decision issued by the relevant governmental authorities.

Our Directors consider that our Pinghu Existing Workshop, though used for production purposes, is not crucial to our operations as a whole in terms of its contribution to our revenue. The production of Pinghu Existing Workshop only accounted for approximately 8.6% of our total sales for the year ended 31 December 2006, which was further decreased to 7.2% for the six months ended 30 June 2007.

If the owners of the properties are unable to rectify the titles and obtain the relevant title certificates over Pinghu Land III and the building structures thereon before the end of 2008 when the rectification of titles is expected to complete, we will relocate the production

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facilities at Pinghu Land III (i.e. our Pinghu Existing Workshop) to our Luoding Leased Factory or other alternative sites. Irrespective of the outcome, we are in the process of relocating certain low-end production process of our Pinghu Existing Workshop to Luoding to capture the lower labour cost there. In the event we were required to vacate from such properties, we believe that replacement premises could be easily identified and relocation and resumption of productions could be completed within a short period of time of approximately two days, with a relatively small costs of relocation of approximately RMB16,000. The time required for relocation is relatively short and relocation cost is relatively small because certain production process had already been relocated, replacement premises are readily available, and all the facilities principally for packaging procedures are easily movable upon relocation. Our Controlling Shareholders have agreed to indemnify us against the costs, expenses, losses and damages for such relocation.

Luoding Production Base

Pursuant to a land transfer agreement dated 30 May 2006 with the Municipal Government of Shuangdong Town, Luoding City, Guangdong Province (廣東省羅定市雙東鎮人民政府), we have been granted land use rights of a parcel of land at Luoding of an area of not less than 150 Mu (equivalent to approximately 100,000 sq.m.) for a period of 50 years commencing from the handover date of the land. We will use this land for future planned construction of our Luoding Production Base.

According to the relevant PRC laws, the conversion of agricultural land to construction land has to be approved by lands and resources departments of provincial level. After conversion of the nature of the land, the relevant collectively-owned lands will be reclaimed and become state-owned lands prior to transfer of relevant land use rights. Upon payment of the consideration and relevant fees, relevant land use rights certificates will be issued.

Based on the approval dated 9 March 2007, the Office of Lands and Resources of Guangdong Province (廣東省國土資源廳) had approved the conversion of the nature of the said land from agricultural land to construction land. The Bureau of Lands and Resources of Luoding City (羅定市國土資源局) is currently in the process of reclaiming the collectively-owned lands. According to our PRC legal advisers, upon completion of the relevant transfer procedures, we shall have valid titles over the said parcel of land.

We will commence construction of our Luoding Production Base once we have obtained valid titles over the said parcel of land. We currently expect that our Luoding Production Base will be completed and commence operations in early 2009. However, in case we were unable to obtain valid titles by the end of 2008, we would dispose of our current interest in the said parcel of land originally planned for the construction of our Luoding Production Base and establish new production facilities elsewhere. We would finance construction of our Luoding Production Base by the net proceeds accrued to us from the Share Offer, internal resources and external financing including bank loans.

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Luoding Leased Factory

We also lease and occupy the Luoding Leased Factory, a block of 11-storey factory building at No.1 Gongye Road, Luochengzhen, Luoding City, Guangdong Province, the PRC from the Bureau of External Economic Development of Luoding City (羅定市對外經濟合作局) (the “Lessor”). The Luoding Leased Factory occupies a total gross floor area of approximately 12,401 sq.m.

Pursuant to the building ownership certificate of the Luoding Leased Factory, the registered owner of the premises is Luoding Merchants Building (羅定縣招商大廈) rather than the Lessor. Based on the understanding of our PRC legal advisers with the responsible persons in Luoding Real Estate Management Bureau (羅定市房地產管理局), Luoding Leased Factory was constructed by the predecessor of the Lessor in the name of Management Team of Merchants Building of Luoding External Economic Committee (羅定縣外經委招商大廈管理小組) in 1987 and as a result Luoding Merchants Building had been mistakenly registered as the title owner (權利人) with the relevant building ownership certificate issued. However, Luoding Merchants Building had not made any business registration as an operating entity and in the premises the real title owner of the Luoding Leased Factory should be the Lessor. According to our PRC legal advisers, the Lessor has real and beneficial ownership of the property and the relevant tenancy agreement is legal and valid.

Absence of proper title certificates

In respect of our existing production facilities at Pinghu and Luoding, namely our Pinghu Production Base, Pinghu Existing Workshop and Luoding Leased Factory, we occupy a total of 24 buildings with a total gross floor area of approximately 81,903 sq.m.

We had obtained valid title certificates in respect of all the buildings of our Pinghu Production Base except certain building structures including the warehouses, staff dormitory and other miscellaneous building structures not relating to production purpose thereof which occupy approximately 20,210 sq.m. out of the total gross floor area of approximately 58,439 sq.m. of our Pinghu Production Base.

Besides, valid title certificates in respect of the building structures of our Pinghu Existing Workshop, which have a total gross floor area of approximately 11,062 sq.m. of which 10,963 sq.m. is used as production workshops for ancillary production of gift sets and other low value products.

Approximately 57.5% of the gross floor area of our existing production facilities at Pinghu and Luoding is used as our primary operating premises, namely as production workshops (the “Operating Premises”), while the remaining 42.5% is used as non-operating premises such as staff dormitory, warehouses, canteens and other ancillary facilities. In respect of the Operating Premises, the total gross floor area without proper title certificate amounted to approximately 10,963 sq.m., which accounted for approximately 23.3% of the aggregate production gross floor area of the Operating Premises of approximately 47,081 sq.m. as at 31 December 2006.

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The absence of relevant title certificates is due to the fact that relevant construction approval procedures (報建批准手續) had not been fulfilled (in respect of certain building structures in Pinghu Land I) and the buildings are situated on lands which are agricultural collective lands (農民集體所有土地) (in respect of the properties in Pinghu Land II and Pinghu Land III) as mentioned above. We and the relevant lessor are taking steps to rectify the titles over such premises, most of which are either not directly related to our manufacturing facilities or are for ancillary production and warehouse use.

Given that (i) the properties in question are principally utilised as warehouse, dormitories, canteens and other ancillary facilities, (ii) only an aggregate gross floor area of approximately 10,963 sq.m. is utilised for production purpose which only accounted for approximately 23.3% of the total gross floor area assigned for production purpose, (iii) the Operating Premises without proper title certificates (i.e. our Pinghu Existing Workshop) are mostly utilised for certain low-end production processes which are in the process of being relocated to our Luoding Leased Factory and (iv) if there is any dispute regarding the legal title of such properties and/or if our right to occupy such properties comes into question and we have to vacate from such properties and relocate elsewhere, our Directors believe that (a) replacement premises can be easily identified and quotations have been obtained from estate agents showing that comparable factory facilities and warehouses are readily available in Pinghu, and such relocation and/or resumption of productions may be completed within a short period of time of approximately two days, with a relatively small costs of relocation of approximately RMB16,000, (b) the production processes which are currently undertaken within the properties with defective titles could be subcontracted to other third party subcontractors within the Shenzhen area, and (c) following the relocation of our production facilities between Pinghu and Luoding and the completion of our Luoding Production Base or other new production sites, we can increase our overall production capacities and relocate the said production facilities to the new production facilities, our Directors are of the view that absence of the relevant title certificates for the said properties will not have any material adverse effect on our business.

Our Directors confirm that up to the Latest Practicable Date, nothing has come to their attention that there is any dispute regarding the valid titles to such properties occupied by us. If there is any dispute regarding the legal title of such properties occupied by us comes into question, we may have to vacate from such properties and relocate elsewhere. This may lead to additional expenses and/or business interruptions as a result of the relocation. Our Controlling Shareholders have provided an indemnity in our favour to reimburse any loss or damage that we may suffer as a result of such relocation.

We have not obtained building ownership certificates for the following properties: (1) building structures on Pinghu Land II, (2) office building, paper warehouse and dangerous goods warehouse on Pinghu Land I, and (3) building structures of our Pinghu Existing Workshop. There are legal defects in respect of our use of these properties which is therefore illegal and invalid. According to our PRC legal advisers, we are liable to any liabilities due to the accidents arising from the defect of the building structures of these properties. Nevertheless, as mentioned above, our Directors consider that these properties are not crucial to our operation as a whole. Our Controlling Shareholders have agreed to indemnify us against penalties, losses and damages due to accidents from the defects of the building structures without title certificates.

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Other Property Interest in the PRC

We also occupy a total of seven properties other than our production facilities in other parts of China, namely Beijing, Dalian, Shanghai and Chengdu. The said buildings or units have a total gross floor area of approximately 4,050 sq.m.

Non-registration of lease agreements

Of our leased properties in the PRC, there are nine buildings or units with a total gross floor area of approximately 11,593 sq.m. for which the relevant lease agreements have not been registered with the relevant authorities. The non-registration of lease agreements of our Pinghu Existing Workshop is due to fact that the building structures thereof are situated at agricultural collective lands and according to our PRC legal advisers the current PRC laws and regulations do not require registration of the lease of building structures constructed on agricultural collective lands. For the other leased properties, perfection of the registration of the relevant lease agreements requires cooperation from the relevant landlords which may not be forthcoming. In view of such difficulty and on the basis that such premises are not crucial to our operation as a whole, our Directors currently do not intend to proceed with the perfection of registration. Apart from our Pinghu Existing Workshop of approximately 11,062 sq.m., all these properties are not used for our manufacturing operations. According to our PRC legal advisers, the validity of a lease agreement will not be affected due to the failure to register the agreement. Valid lease agreements are enforceable against subsequent purchasers, mortgagees and lessees of the properties. Non-registration of lease agreements will not result in administrative punishment on the part of the lessees. Our Controlling Shareholders have agreed to indemnify us against any costs, expenses, losses and damages resulting from non-registration of lease agreements.

According to the relevant provisions of the Law of the Administration of the Urban Real Property of the PRC (《中華人民共和國城市房地產管理法》), the lessors should file the registration with respect to the lease agreements with the real estate administration authorities but which has not specified whether the absence of the registration filing would result in any legal consequences as to the validity of the lease agreements. As such, the Department of Economics Laws under the Legislative Affairs Commission of the Standing Committee of the National People's Congress (全國人民代表大會常務委員會法制工作委員會經濟室) has issued a reply to the Standing Committee of NPC of Hebei Province on 3 February 1997 indicating that the absence of registration filing would not affect the legal status of the lease agreements.

For further details of our property interests in the PRC, please see Appendix IV to this prospectus.

Buildings in Hong Kong

We also own 15 industrial units and four car parking spaces with a total gross floor space of approximately 20,395 sq.ft. in Hong Kong. We occupy these units for storage and ancillary office use.

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Buildings in other jurisdictions

We have a property in Singapore with a floor space of approximately 560 sq.m. for use as office space and warehouses.

See Appendix IV to this prospectus for further details regarding the buildings or units that we occupy.

INTELLECTUAL PROPERTY

Although majority of our amenity products are customised for hotel and airline operators and hence distributed under their brands, we developed our own brand names including “*Rose Magnifique*”, “*Essence d’Orient*” and “*Nobility*”. Moreover, we believe that our well-established corporate identity of “*Ming Fai*” and our intelligence and know-how such as manufacturing know-how with respect to our PSM environmentally-friendly products developed during our operation history are critical to our success.

It is therefore our policy to register, subject to applicable regulatory restrictions and requirements, trademarks and patents incidental to our business in the PRC, Hong Kong and our other target markets. In addition, in order to protect our intellectual property rights, we have undertaken appropriate measures such as signing of non-disclosure and confidentiality agreements.

Details of the trademarks and patents registered and applied for by us as at the Latest Practicable Date are set out under the paragraph headed “Intellectual Property Rights” in Appendix VI to this prospectus.

We have obtained licences for the use of the trademarks of “*Santa Barbara Polo & Racquet Club*” (licensed from John Lam & Associates Company Limited), “*Baronessa Cali Oliva and Tarocco*” and “*Natüra U*” from respective Independent Third Parties.

Save as disclosed above, we have not acquired or obtained any licence to use any intellectual property rights owned by third parties.

As at the Latest Practicable Date, we had not given any consent to any other party for the use of any trademarks or patents owned by us. Our Directors confirm that they are not aware of (i) any material infringement of trademarks or patents used by us during the Track Record Period; and (ii) any litigation or material disputes regarding the intellectual property rights used by us during the Track Record Period.

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LITIGATION

We are involved in litigations from time to time that we consider to be in the ordinary course of our business.

During the Track Record Period, we were involved in the following legal or arbitral proceedings:

- (a) In January 2007, a former employee pleaded to Shenzhen Longgang Labour Dispute Arbitration Committee for RMB86,457 for termination of her employment by Ming Fai Shenzhen. The arbitration committee rejected all her pleadings. She then commenced a legal action for an order to overrule the arbitral decision and claimed for a sum of RMB92,987. The legal case is pending trial. We have not made any provision for the alleged claim of the said former employee.
- (b) A former employee in May 2004 pleaded to Shenzhen Longgang Labour Dispute Arbitration Committee for RMB28,578 being her unpaid salary during maternity leave for the period from 16 March to 30 July 2004, economic compensation and unpaid social insurance fees. The arbitration committee decided that Ming Fai Shenzhen should pay her RMB7,952 but rejected her all other pleadings. Ming Fai Shenzhen then commenced a legal action to overrule the arbitral decision. The 2nd-trial court ruled in May 2005 that Ming Fai Shenzhen should pay the former employee RMB7,952, which is the final judgment. Ming Fai Shenzhen had paid the sum according to the final judgment and is not required to pay the remaining amount claimed by the former employee.

In August 2004, the same former employee pleaded to Shenzhen Longgang Labour Dispute Arbitration Committee for RMB47,639 being her unpaid salary for the period from 24 May 2004 to 31 March 2005, economic compensation for termination of employment and unpaid social insurance fees. The arbitration committee decided that Ming Fai Shenzhen should pay her RMB6,362 but rejected all her other pleadings. She then commenced a legal action to overrule the arbitral decision. The 2nd-trial court ruled in October 2005 that Ming Fai Shenzhen should pay her RMB18,895, which is the final judgment. Ming Fai Shenzhen had paid the sum according to the final judgment and is not required to pay the remaining amount claimed by the former employee.

- (c) A former employee in March 2006 pleaded to Shenzhen Longgang Labour Dispute Arbitration Committee for a sum of RMB72,399 for termination of employment. The arbitration committee decided that Ming Fai Shenzhen should pay RMB796 to the former employee but rejected all his other claims. He then applied to the court to overrule the arbitral decision. The 2nd-trial court ruled in January 2007 that Ming Fai Shenzhen should pay him RMB1,556, which is the final judgment. Ming Fai Shenzhen had paid the sum according to the final judgment and is not required to pay the remaining amount claimed by the former employee.

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- (d) Ming Fai Shenzhen commenced legal proceedings against a former employee for misappropriation of Ming Fai Shenzhen's raw materials in 2005. The court ruled that the defendant should return the misappropriated raw materials to Ming Fai Shenzhen.

The former employee has not returned the misappropriated raw materials to Ming Fai Shenzhen and we have written off the amount of approximately HK\$12,000, being the costs of the raw materials.

Save as disclosed herein, we are not, to the best of our knowledge, aware of any litigation or arbitration proceedings pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

Our Directors believe the above-mentioned employee-related legal and/or arbitral proceedings are individual and exceptional incidents which had no adverse impact on the relationship with our staff and we maintain a good relationship with our employees.

SINGAPORE LEGAL ISSUES

Our operations in Singapore are conducted through our wholly-owned subsidiary of QAS Singapore. The business carried on by QAS Singapore comprises the sale and supply of amenity products to the hotel and hospitality industry. QAS Singapore does not manufacture any of its products but imports all of them directly from its suppliers based in China. Turnover attributable to QAS Singapore during the three years ended 31 December 2006 was approximately HK\$1.7 million, HK\$18.1 million and HK\$30.5 million respectively while net profit was approximately HK\$0.2 million, HK\$0.03 million and HK\$2.2 million respectively for the same period.

During the Track Record Period, QAS Singapore has been non-compliant with certain Singaporean laws and regulations relating to the licensing requirement for the importation, sale and supply in Singapore and labelling requirement of some of its products. For further details of the relevant Singaporean laws and regulations, please refer to the section headed "Regulations – Singapore Legal Issues" in this prospectus.

During the Track Record Period, we mistakenly believed that we were not required to obtain the licenses nor were required to comply with the labelling requirements, and therefore did not apply for the necessary licenses and failed to comply with the labelling requirements for some of our products falling within the category of "oral or dental hygiene products, including refreshers and dentifrices" as defined in the relevant Singapore laws and regulations. Except as aforesaid, our operations in Singapore have complied with all relevant Singapore laws and regulations and we possess all necessary permits and licenses (including business licenses and other particular permits) for doing business in Singapore.

Any person found to be in contravention of the Medicines Act and applicable regulations enumerated above will on conviction be liable to a fine not exceeding SGD5,000 or to imprisonment for a term not exceeding two years or both. The fine can apply to a body corporate if so convicted. The penalties of fine and imprisonment can also apply to any director, manager, secretary or other officer of the body corporate, or any person who was purporting to act in such capacity, if the offence is proved to have been committed with the consent and connivance of, or be attributable to any neglect on the part of such officer or

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person. It is possible to be charged under the Medicines Act and applicable regulations separately. According to our Singaporean legal advisers, penalties of imprisonment would usually apply in the case of serious breaches particularly involving products that have caused harm, or contain poisons, restricted or banned substances or are unsafe for human use. The cosmetic products that we import and sell in Singapore do not contain such substances and are safe for human use. In the premises, we are of the view that the risk of any of our senior management being subject to imprisonment and thus affecting our operation is minimal.

To rectify the situation, we have applied for and already obtained such licenses from the Health Sciences Authority of Singapore in respect of the relevant cosmetic products we currently import into and sell in Singapore. In addition, we will put the information including the name of cosmetic product, list of ingredients, name and address of importer, batch reference, on the products in order to comply with the labelling requirements.

It is the understanding of our legal advisers as to Singapore law from the responsible Singapore authorities, that previous breaches of this nature are viewed more favourably if we take steps to comply with the relevant laws and regulations. On that, our Directors confirm that we have already obtained the relevant import and product licences in connection with the relevant cosmetic products we currently import into and sell in Singapore and will comply with the labelling requirements under the Medicines Act and applicable regulations in relation to cosmetic products imported into and/or sold by us in Singapore. It is further understood that the penalties of imprisonment would usually apply in the case of serious breaches particularly involving products that have caused harm or contain poisons, restricted or banned substances or are unsafe for human use. The cosmetic products that we import and sell in Singapore do not contain such substances and are safe for human use.

Our Controlling Shareholders have agreed to indemnify us for any costs, liabilities and damages suffered in relation to non-compliance with Singaporean laws and regulations.

TOOTHPASTE DEG ISSUES

The Toothpaste Incident

On 1 June 2007, FDA warned consumers to avoid using tubes of toothpaste labelled as “Made in China”. The warning and an “Import Alert” were issued to prohibit toothpaste labelled as containing DEG as an ingredient, as well as a number of specified brands of toothpaste from a number of specified Chinese manufacturers that are labelled as containing DEG as an ingredient from entering the US. Our revenue from sales of dental kits with toothpaste containing DEG during the three years ended 31 December 2006 and seven months ended 31 July 2007 were minimal, approximately HK\$1.0 million, HK\$0.8 million, HK\$0.8 million and HK\$0.6 million respectively. The “Import Alert” subjects covered products to “detention without physical examination”. This means the product in question will not be allowed entry into the US unless the importer can prove that it complies with all FDA requirements. Absent such proof, the product is refused admission and typically either destroyed or exported. Based on the legal opinion issued by our US legal advisers, by statute, FDA can disallow a product to be imported into the United States if it “appears to” violate FDA requirements. The “appears to” standard is a lower standard than the standard

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for FDA to take action against product already in US commerce. This is the legal basis for the “Import Alert”. Although our toothpaste is not among the list of products cited in the FDA announcement, independent testing revealed that toothpaste supplied to two of our distributors in the US contained DEG.

On 13 August 2007, one of the said US distributors made a press release on the FDA website alleging that certain toothpaste supplied by us was found to contain DEG, and a voluntary recall of the toothpaste had been made in cooperation with the FDA accordingly.

DEG is used in antifreeze and is a solvent agent. Toothpaste is not intended to be swallowed but FDA is concerned about unintentional swallowing or ingestion of toothpaste containing DEG. Up to the Latest Practicable Date, FDA was not aware of any US reports of poisonings from toothpaste containing DEG, and no further announcement was made by FDA subsequent to its warning to suggest there is any change in this position. However, FDA is concerned about chronic exposure to DEG and exposure to the product in certain populations, such as children and individuals with kidney or liver disease. Toothpaste containing DEG has a low but meaningful risk of toxicity and injury to these populations.

US Legal Opinion

According to our US legal advisers, if FDA were to find toothpaste with DEG as a listed ingredient or toothpaste with an excessive level of DEG (whether declared on the label as an ingredient or not), the most likely response would be a refusal of import entry (as discussed above) or, if the product is already in US commerce, a request for a “voluntary” recall. Recalls of cosmetics are voluntary in a sense that FDA does not have any statutory authority to order a firm to conduct a recall. Nevertheless, if the manufacturer or distributor refuses to conduct a “voluntary” recall, FDA may issue publicity that is very damaging to the company’s good will and reputation. In addition, FDA may file a seizure lawsuit against the toothpaste if it finds substantial quantities in a single location. While FDA has authority to seek criminal penalties (fines against companies and responsible individuals and/or imprisonment of responsible individuals) in connection with violations of FDA requirements, FDA seldom does so. In recent years, FDA criminal prosecutions have largely focused on intentionally fraudulent conduct, such as submitting false information to the agency.

Because DEG poses a chronic, as opposed to an acute, health hazard, our US legal advisers are of the view that it is unlikely that FDA will take further enforcement action absent extenuating circumstances. Moreover, as long as our US distributor is voluntarily recalling the product, FDA will probably feel there is no need for seizure of product. FDA will follow up with the said US distributor to make sure the recall is effective. For example, FDA will expect periodic recall status reports from the distributor, and will want to witness destruction of the recalled product or at least see documentary evidence of its destruction.

According to our US legal advisers, it is unlikely that individual consumers would bring suit because (i) most of the problematic product was removed from hotels or never shipped to hotels in the first place; and (ii) even if a hotel guest were found to have ingested some of the toothpaste, that guest would have to show that the toothpaste in question contained DEG and that the DEG caused some identifiable health problem. More

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likely, the said US distributor would seek reimbursement for the costs of its product recall, damages for lost sales and profit and perhaps for some claimed damage to its reputation against us. Conceivably, but less likely, a hotel chain could assert a claim against the said US distributor on similar theories, and the distributor could, in turn, bring us into the dispute and attempt to saddle us with the responsibility for satisfying the hotel chain's asserted damages.

According to our US legal advisers, it is unlikely that the toothpaste incident will lead to a cascade of litigation. There is difficulty on the part of potential litigant (or in a class action, a group of litigants) establishing compensable harm and it is unlikely that a plaintiff will be able to establish more than de minimus (if any) monetary damages. Consequently, few if any plaintiffs' lawyers would want to take up the case. The amounts of DEG found in various toothpastes of Chinese manufacturers have been determined not to pose significant health dangers and the FDA has not received any US reports of poisoning from toothpaste containing DEG. Given the fact that the toothpastes supplied by us are intended for one-off consumption as a guest room amenity in the hotel industry, it is unlikely to contain significant amounts of DEG. Our toothpastes will only be used on relatively few occasions by an itinerant population (as opposed to ongoing home use) and would be consumed more frequently by adults than by children. Moreover, we have promptly and responsibly recalled the problematic products making ongoing consumption unlikely. Our US legal advisers have not identified any filed cases involving hotel amenity toothpaste (or DEG contaminated toothpaste in general). Although it might be possible that one or more class action lawsuits could be filed against us, our US legal advisers are of the view that such lawsuits would face the same bleak prospects of proving injury and harm attributable to our toothpaste. Additionally, plaintiffs seeking class certification would need to establish commonality (i.e. there are questions of law or fact common to the class), which would likely prove difficult absent establishment of a typical injury at low ingestion levels. Our US legal advisers are of the view that we have greatly reduced our liability risk by engaging a prompt and appropriate recall.

As to the claims from hotels, our US legal advisers are of the view that claims brought by hotels who purchase our toothpaste (either directly from us or through our distributors) are more likely than claims brought by hotel guests. The number of such claims and the potential exposure, however, are more finite. A hotel would not bring a claim for physical injury, but rather for the cost of replacing the toothpaste and, potentially, for harm to the hotel's reputation allegedly arising from having tainted toothpaste in guests' bathrooms. As our revenue from sales of dental kits with toothpaste containing DEG during the three years ended 31 December 2006 and seven months ended 31 July 2007 were minimal, approximately HK\$1.0 million, HK\$0.8 million, HK\$0.8 million and HK\$0.6 million respectively, our Directors confirmed that the cost of labor for replacing the problematic toothpaste is minimal. In addition, we have settled with the two US distributors to whom we supplied toothpaste with DEG, including the cost of replacement. Claims for injury to reputation would likely founder on the requirement that the hotel establish non-speculative injury, absent data showing that a hotel lost customers, was perceived more negatively by customers, or had to slash room rates to retain customers as a result of the removal of our toothpaste from the amenity offering. Consequently, while claims by hotels (or, more accurately in most cases, hotel management companies) are substantially more likely than claims by individual guest, it is difficult to foresee a morass of litigation in this regard.

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The PRC's response

On 11 July 2007, the China General Administration of Quality Supervision, Inspection and Quarantine (中國國家質量監督檢驗檢疫局) (“PRC Quality Administration”) issued a notice (“Notice”) that toothpaste manufacturers are not allowed to use DEG as an ingredient. Prior to the Notice, PRC laws and regulations did not prohibit the use of DEG as an ingredient in toothpaste or have any restrictions on the amount of DEG in toothpaste. The PRC Quality Administration reiterated in the Notice China’s official stance that DEG in small quantities is safe, based on tests carried out by Chinese health experts in 2000.

According to our PRC legal advisers, toothpaste containing DEG as an ingredient manufactured prior to the Notice does not violate the PRC laws and regulations. Moreover, the PRC Quality Administration did not forbid the sale of toothpaste containing DEG as an ingredient in China after publication of the Notice. Therefore, the sale in the PRC of toothpaste containing DEG ingredient manufactured prior to the publication of the Notice does not violate the Notice.

Our situation

We supply a great variety of amenity products including toothpaste to hotel, hospitality and travel industries within and outside the PRC. During the Track Record Period, we did not manufacture any toothpaste that we supplied but purchased the toothpaste mainly from eight toothpaste manufacturers in China for bottling and/or onwards distribution to our customers. Our Directors confirmed that DEG was not part of the toothpaste specifications for all sourcing orders placed with various toothpaste manufacturers during the Track Record Period. Accordingly, should we incur any claims from our customers regarding the toothpaste issue as mentioned above, we have the right and would consider taking consequential legal action in the PRC against the relevant toothpaste manufacturers to recover the loss, if any.

Our total amount of toothpaste purchased for the three years ended 31 December 2006 were approximately HK\$8.1 million, HK\$11.7 million and HK\$21.9 million respectively for the three years ended 31 December 2006. Out of which, toothpaste for export sourced from two of our toothpaste manufacturers which was found to contain DEG in aggregate accounted for approximately 17.7%, 14.1% and 10.5% respectively of our total purchases of toothpaste for the three years ended 31 December 2006.

During the Track Record Period, our sales of toothbrush and toothpaste were approximately HK\$23.5 million, HK\$32.4 million, HK\$49.5 million and HK\$25.1 million respectively, represents approximately 6.7%, 6.4%, 7.2% and 6.6% respectively of our total revenue for the relevant periods. Our toothpaste which was found to contain DEG was sold to two distributors in respect of our overseas sales including the said US distributor in the toothpaste issue as mentioned above. Our revenue from sales of dental kits with toothpaste containing DEG to these two distributors for the three years ended 31 December 2006 and seven months ended 31 July 2007 were approximately HK\$1.0 million, HK\$0.8 million, HK\$0.8 million and HK\$0.6 million, respectively.

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In respect of toothpaste sold to Europe by other distributors, they were of different formula than those sold to these two US distributors. As the toothpaste products sold to hotels are disposable in nature, the inventory held by the distributors and end-user groups is minimal in order to minimise their cost of warehousing. After the release of the FDA announcement in June 2007, both we and the manufacturers of these toothpaste have engaged certified laboratories and certification institutions which are Independent Third Parties to perform laboratory tests on the content on a sampling basis which confirmed DEG contents within currently acceptable limits of FDA and EU. We were also advised by our European customers that they had performed laboratory tests which confirmed the same results. Our Directors confirmed that except for toothpaste sold to the two US distributors mentioned above we have not received any complaints or reports of toothpaste sold to Europe containing DEG over acceptable limits up to the Latest Practicable Date.

Our products including toothpaste are sourced in accordance with our customers' specifications and product samples are made by independent toothpaste manufacturers and sent randomly to customers through us for confirmation before delivery. We had supplied products based on the previous specifications provided by our customers. There had been no major return of goods nor our product quality challenged by our customers in any material aspect during the Track Record Period. In addition, as the toothpaste is disposable in nature, the inventory held by our distributors and other end-user groups should be minimal. As such, our Directors confirmed that the replacement costs for the toothpaste with DEG would not have any material impact to our financial position. Furthermore, as mentioned above, we have the right to take consequential legal action against the relevant toothpaste manufacturers in the PRC to recover the loss.

After the voluntary recall, we have settled with the two US distributors to whom we supplied toothpaste which were found to contain DEG and both of which have agreed not to claim us for any costs or damages related to the loss of brand reputation nor future sales as a result of the toothpaste incident including claims in relation to any toothpaste supplied to them before the toothpaste incident. Each of the two US distributors has countersigned its respective letter of settlement with us to confirm the terms of settlement set out therein. For one of the US distributors, we agreed to pay US\$370,000 to settle all its claims, losses and expenses in relation to recall and replacement of the toothpaste supplied by us including toothpaste supplied before the toothpaste incident whereby the relevant US distributor agreed to release us from any and all claims, losses and expenses related to all out-of-pocket expenses of the toothpaste recall and replacement incurred or to be incurred by it and its lost profits, lost business revenue and adverse impact on profit margin relating to the recall and replacement of toothpaste and additional products to be returned from the market. For another US distributor, we agreed to settle at US\$78,000 for its claims, losses and expenses in relation to the replacement of the toothpaste supplied by us including toothpaste supplied before the toothpaste incident. Both settlements do not include any third party product liability claims relating to the recalled toothpaste.

Our Directors confirm that, as at the Latest Practicable Date, there was no litigation or similar proceedings in relation to the toothpaste issue.

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As we have settled with the two US distributors and based on the advice of our US legal advisers as set out above, we consider that the litigation risk from these two US distributors and any further loss arising from the toothpaste issue involving these two US distributors is minimal. In any event, we have made a provision in the sum of HK\$3.9 million as at 30 June 2007 to cover the potential loss including sales return and recall expenses and written off certain inventories in the same period. Our Directors are of the view that the said provision is appropriate to cover the potential loss arising from the toothpaste issue. Should the potential loss exceed the provision of approximately HK\$3.9 million, the shortfall will be covered by the indemnity provided by our Controlling Shareholders. Our Controlling Shareholders have agreed to indemnify us for all costs, liabilities or damages suffered by any member of our Group in connection with products containing poisonous and problematic ingredients sold by any member of our Group before Listing. For further details, please refer to section headed “Other Information – 1. Estate duty, tax and other indemnities” in Appendix VI to this prospectus.

We are closely monitoring the situation and taking proactive steps to work with our overseas customers to replace the problematic toothpaste in order to minimise the interruption to our customers. Our Directors consider the toothpaste issue is a single incident.

As our products are mainly for one-off consumption in hotel rooms or on board aircrafts, they were sold to our customers in bundle. The situation of the toothpaste incident might be aggravated by such a purchasing pattern of our customers. Our toothpaste and toothbrush are usually packaged and sold as a set of dental kits and when our toothpaste is found to have quality issues, our customers may cease to purchase our dental kits. It is possible that in case some of our products were subject to product recall in the future due to quality issues, our customers might stop to place orders for our other products which are sold together with the problematic products in bundle and further loss would be incurred. Nevertheless, we consider that the toothpaste issue has minimal impact on our sales. As a result of the toothpaste issue, only one of the two US distributors mentioned above ceased to purchase toothpaste but continues to purchase toothbrushes and other amenity products from us. In any event, the sales of dental kits with toothpaste containing DEG to this US distributor were minimal and amounted to approximately HK\$1.0 million, HK\$0.8 million and HK\$0.8 million and HK\$0.4 million respectively for the three years ended 31 December 2006 and seven months ended 31 July 2007. The other US distributor continues to purchase amenity products (including toothpaste) from us.

In fact, we continue to record strong growth of sales to our top 10 customers including the two US distributors mentioned above since the FDA announcement in June 2007. The monthly sales for our top 10 customers in July and August 2007 were approximately HK\$40.7 million and HK\$43.2 million respectively, recording a significant growth of approximately 32.1% and 40.3% as comparing to the average monthly sales to our 10 customers for the six months ended 30 June 2007 of approximately HK\$30.8 million. It shows that our sales have not been significantly affected by the toothpaste issue. Except for the US distributor mentioned above who ceased to purchase toothpaste for us, our top 10 customers continue to place new orders of amenity products, including toothpaste, with us. Therefore, our Directors believe that the toothpaste issue will not affect the relationship with our customers.

On-going compliance and other possible quality issues

Subsequent to the FDA announcement on 1 June 2007, we have implemented a new sourcing requirement for toothpaste. All toothpaste manufacturers have to confirm to us, with testing report attached, that the toothpaste produced does not contain DEG. We will require toothpaste manufacturers to provide certificates of analyse including microbiological test and product specification confirmation, DEG test reports by certified testing organisations and confirmations that DEG contents within currently acceptable limits of FDA and EU. Our own research and development department will also perform microbial testing on toothpaste purchased on a sampling basis. Our Directors considered the above procedures are adequate to mitigate the recurrence of the toothpaste issue in future. We have engaged two certification bodies, namely Specialized Technology Resources (H.K.) Ltd. (“STR”) and SGS Hong Kong Ltd. (“SGS”) both being Independent Third Parties, and may engage other similar independent testing institutions, to conduct laboratory tests on toothpaste including DEG on a quarterly and sampling basis. STR is a multinational testing institution with established history in certification and possesses laboratories in Hong Kong and other places to provide a scope of accreditation covering a wide range of international standards such as ISO. SGS has profound experience in quality services to high-level expertise in testing and inspection of products from various industries and is a certification body in diverse standards like ISO and food safety management systems. We will also continue our performance of factory audit on our suppliers (including toothpaste suppliers) to monitor their production process. Moreover, we will review our product testing to ensure compliance with all published requirements regarding product safety within and outside the PRC.

Our sourced chemical-based items are mainly toothpaste. In relation to our in-house manufactured chemical-based products (e.g. shampoo, conditioner, shower gel, lotion etc.), we will continue to exercise stringent control over their qualities. We possess an in-house laboratory and engage professional technicians to carry out various chemical and microbiological testing to ensure the quality of our chemical production. We also engage independent certification bodies to carry out separate laboratory testing on our major in-house chemical-based products on a sampling basis. The chemical-based products produced at our Pinghu Production Base have been assessed to be in compliance with the GMPC standard of the FDA and the Council of Europe. We review the standards and requirements of these authorities to ensure compliance of our products from time to time.

Regarding other ingredients of the toothpaste and our other chemical-based products (whether sourced from third party suppliers or manufactured in-house), our Directors confirm that they have not received any notice from the relevant authorities and/or customers in our major markets with respect to the quality or product safety issue and are of the view that we should have satisfied relevant regulatory requirements of the major markets to which our products are sold. Our Directors will monitor changes in the regulatory requirements in our major markets regularly. Moreover, as our chemical-based products are designed for one-off consumption and disposable in nature and minimal stock is held by our distributors and other end-user groups, our Directors are of the view that they are able to comply with any changes come to their attention immediately at minimal costs.

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To strengthen our ability to trace the changes in the regulatory requirements in our major markets, the following policies have been or will be implemented:

- a new position of compliance officer, who will have a direct reporting line to our chairman, will be established and be taken up by Ms. Chan Yick Ning, our chemical and development manager, who will assume the responsibility of quality compliance and keep tracking of latest development in regulatory changes in different jurisdictions, in particular, the PRC, the US and the EU. Ms. Chan is a member of Hong Kong Society of Cosmetic Chemists and is often updated with periodicals containing market information especially about the new regulatory requirements in Hong Kong, the PRC, the US and the EU. A monthly report of regulatory changes, if any, will be prepared by the compliance officer and circulated to the senior management for prompt action;
- a new compliance committee, including Mr. Liu Zigang and Ms. Chan Yim Ching, our executive Directors responsible for PRC and international sales respectively, Mr. Lee King Hay, our executive Director responsible for production, and the new compliance officer, will be established and meet bi-weekly to discuss about the latest changes in regulatory requirements applicable to us and/or our products including cosmetic products, if any, through the collection of intelligence from both local and overseas customers;
- a policy and procedure manual has been written up regarding the above and approved by our chairman. We will incorporate the manual as part of our ISO documents and announce it to all staff. If there are any changes in the regulatory requirements of our major markets, we will promptly update the manual. We will also review the manual annually as part of our ISO review procedures; and
- a clause stating that the overseas distributors and end customers are responsible to ensure the stipulated product specifications are in compliance with the local regulatory requirements will be included in all sales contracts.

In addition, we had been in the past frequently involved in the following to obtain updates about the regulatory environment worldwide and will continue to do so in future:

- Ms. Chan Yick Ning attends the annual cosmetic science conference (IN-COSMETIC conference) held in Europe every year to obtain the latest trend and regulation on cosmetic products regulations in US and EU;
- Ms. Chan Yick Ning also collects changes in regulations from the government or related organisations by visiting their websites in the relevant jurisdictions;
- We are an active member of Cosmetic Toiletries Fragrance Association (“CTFA”) in the US and are regularly updated with the latest news from CTFA. We also purchase other books and references to obtain updates on the worldwide regulations on the use of chemicals in our products i.e. which chemical can be legally used worldwide and which is banned.

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Directors' confirmation

Having considered the above including (i) the remoteness of the criminal penalties imposed by FDA; (ii) the remoteness of legal action filed by customers and end-users of our products; (iii) the potential consequential legal action that we can take against the relevant toothpaste manufacturers in the PRC; and (iv) the insignificant amount of toothpaste with DEG sold to overseas customers, our Directors confirmed the loss arising from the toothpaste issue would not have a material impact to our financial position.

Wider concerns from the toothpaste issue

The toothpaste issue gives rise to wider concerns about the quality of our products. As a one-stop service supplier, we provide a great variety of amenity products and other hotel room accessories. Our products are either manufactured in-house or sourced from third party suppliers.

In response to the toothpaste issue, as an immediate step to protect our reputation, we explained to our customers and clarified with the FDA that we did not manufacture any toothpaste in-house but sourced from third party suppliers. We were highly concerned about the situation and implemented our new sourcing requirement specifically for toothpaste and other quality assurance measures as mentioned above.

Toothpaste is the major chemical-based products we sourced from third party suppliers. For other sourced items, we will maintain our stringent system for the selection of reliable and quality suppliers. For further details, please refer to the section headed "Business – Raw Materials and Supplies" in this prospectus. In relation to our in-house products, we have exercised stringent quality control procedures as set out in the section headed "Business – Quality Control" in this prospectus. Moreover, as mentioned above, we have also implemented a number of policies, including the compilation of a policy and procedure manual, to keep track of the changes in regulatory requirements regarding product quality and safety aspects in our major markets. We will closely monitor such changes and review and adjust where applicable our quality control procedures to ensure our compliance with applicable product quality and safety laws and regulations in different jurisdictions.

Our Controlling Shareholders have agreed to indemnify us for all costs, liabilities or damages suffered by any member of our Group in connection with products containing poisonous and problematic ingredients sold by any member of our Group before the Listing. For further details, please refer to section headed "Other Information – 1. Estate duty, tax and other indemnities" in Appendix VI to this prospectus.

NO INTERRUPTION IN BUSINESS

Our Directors confirm that there is no interruption in our business which may have or have had a significant effect on our financial position in the last 12 months.

CONNECTED TRANSACTIONS

Exempted Continuing Connected Transactions

The following continuing connected transactions will constitute exempted continuing connected transactions for our Group under Rule 14A.33(3) of the Listing Rules and accordingly, will be exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Each of the following transactions is undertaken on an arms-length basis and on normal commercial terms and the percentage ratios (other than the profit ratio) of each of the following transactions on an annual basis is less than 0.1% or if more than 0.1% but less than 2.5% and the annual consideration is less than HK\$1.0 million.

(1) Lease of property by Ming Fai Plastic Industrial Co to Ming Fai Shenzhen

Ming Fai Plastic Industrial Co is a partnership beneficially owned as to 1/3 by each of Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung, all being executive Directors, and therefore is an associate of a connected person under the Listing Rules.

Ming Fai Shenzhen leases property comprising a parcel of land of 4,400.0 sq.m. together with a workshop building of 2,277.0 sq.m., a electricity transformer room (配電房) and office premises of 99.0 sq.m. and two workshops of 8,686.2 sq.m. from Ming Fai Plastic Industrial Co. The property is located at Nijiukeng, Bainikeng Village, Pinghu Town, Guangdong Province, the PRC (中國廣東省平湖鎮白泥坑村尼九坑).

Ming Fai Shenzhen and Ming Fai Plastic Industrial Co entered into a lease agreement in relation to the parcel of land of 4,400.0 sq.m. together with the workshop building of 2,277.0 sq.m., the electricity transformer room (配電房) and office premises of 99.0 sq.m. constructed thereon on 12 June 2007 for a term of 20 years commencing from 10 January 1993 ending 9 January 2013. The total rental for the term is RMB2,234,320 and shall be paid in three installments. According to the lease agreement, the first installment of RMB350,000 shall be paid before 25 January 1993; the second installment of RMB500,000 shall be paid before 18 April 1993 and the remaining portion shall be paid before 18 July 1993. Vigers Appraisal and Consulting Limited, an independent valuer, has confirmed that the terms of the lease agreement are fair and reasonable and the rent reflects prevailing market conditions as at the commencement date of the term. The lease is terminable by Ming Fai Plastic Industrial Co by six months' written notice. If the lease agreement is terminated prior to the end of the term, Ming Fai Plastic Industrial Co will refund the rent paid for the unleased part of the term. The rent paid by Ming Fai Shenzhen during the Track Record Period was nil.

Ming Fai Shenzhen and Ming Fai Plastic Industrial Co also entered into a lease agreement on 14 June 2007 in relation to the two workshops of 8,686.2 sq.m. which were subsequently constructed by Ming Fai Plastic Industrial Co for a term of 2 years commencing from 1 January 2007 ending 31 December 2008. The monthly rental is RMB60,803 and payable monthly. Vigers Appraisal and Consulting Limited, an independent valuer, has confirmed that the terms of the lease agreement are fair and reasonable and the rent reflects prevailing market conditions as at the commencement

CONNECTED TRANSACTIONS

date of the term. The lease is terminable by Ming Fai Plastic Industrial Co by six months' written notice. Ming Fai Shenzhen had leased the two workshops during the three years ended 31 December 2006. The rent payable by Ming Fai Shenzhen for each of these three years were approximately HK\$595,000, HK\$598,000 and HK\$615,000 respectively.

(2) Lease of premises by Mr. Liu Zigang to Ming Fai Shenzhen

Mr. Liu Zigang is an executive Director and therefore a connected person under the Listing Rules.

Ming Fai Shenzhen leases premises of approximately 199.94 sq.m. at Unit A2 on Level 10 of Block 5, Section 1101 of Block A of Huapu Garden, Dongsishi, Dongcheng District, Beijing, the PRC (北京市東四十華普花園A座1101單元5號樓10層A2號房) from Mr. Liu Zigang for office and dormitory uses, and they entered into a lease agreement on 12 June 2007 for a term of two years commencing from 1 January 2007.

The monthly rental is RMB11,000 and payable monthly. Vigers Appraisal and Consulting Limited, an independent valuer, has confirmed that the terms of the lease agreement are fair and reasonable and the rent reflects prevailing market conditions as at the commencement date of the term.

Ming Fai Shenzhen had leased the premises from Mr. Liu Zigang during the three years ended 31 December 2006. The rent payable by Ming Fai Shenzhen for each of these three years were approximately HK\$136,000, HK\$137,000 and HK\$141,000 respectively.

(3) Provision of Consultancy Services by Advance Management Consultants Limited ("Advance Management") to Ming Fai Asia Pacific

Advance Management is owned as to 80% by Mr. Ng Bo Kwong, a non-executive Director, and therefore is an associate of a connected person under the Listing Rules.

Advance Management provides management consultancy services to Ming Fai Asia Pacific. They entered into an agreement dated 12 April 2007 whereby Advance Management provides consultancy services to Ming Fai Asia Pacific in relation to corporate development strategy for the period commencing from December 2006 ending before the end of December 2007. The consultancy fee is HK\$200,000 and shall be paid in three installments. According to the agreement, the first installment of HK\$60,000 shall be paid upon signing of the agreement, the second installment of HK\$80,000 shall be paid by the end of June 2007 and the remaining portion shall be paid upon completion of the consultancy project by December 2007.

They also entered into a consultancy agreement dated 3 August 2006 whereby Advance Management provides Ming Fai Asia Pacific consultancy services in relation to production efficiency for a period of 12 months. The consultancy fee is HK\$580,000

CONNECTED TRANSACTIONS

and shall be paid in two installments. According to the agreement, the first installment of HK\$114,000 shall be paid upon signing of the agreement and the remaining portion shall be paid upon completion of the consultancy services.

Advance Management had provided consultancy services to Ming Fai Asia Pacific during the three years ended 31 December 2006. The consultancy fees paid by Ming Fai Asia Pacific to Advance Management for each of these three years were approximately HK\$80,000, HK\$19,000 and HK\$132,000 respectively.

Advance Management is very experienced in amenity industry and has assisted a number of medium to large size enterprises in formulating company development strategies and establishing management systems in the areas of sales and marketing, human resources and production. Our Directors are of the view that the continued engagement of Advance Management to provide management consultancy services are beneficial to our Group because it will help us in formulating our corporate development strategy as well as to increase our production efficiency. The Sponsor is of the view that the connected transaction with Advance Management is on normal commercial terms and is fair and reasonable in the interests of the Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board consists of 11 Directors, of whom seven are executive Directors, one is a non-executive Director and three are INEDs. The functions and duties conferred on the Board include: convening Shareholders' meetings and reporting their work to the Shareholders' meetings, implementing the resolutions of the Shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for dividend and bonus distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the Articles of Association.

The following table sets out certain information concerning the Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. CHING Chi Fai	45	executive Director (Chairman)
Mr. CHING Chau Chung	48	executive Director
Mr. CHING Chi Keung	43	executive Director
Mr. LIU Zigang	42	executive Director
Mr. LEE King Hay	53	executive Director
Ms. CHAN Yim Ching	40	executive Director
Ms. CHAN Wing	36	executive Director
Mr. NG Bo Kwong	51	non-executive Director
Mr. SUN Kai Lit Cliff <i>BBS, JP</i>	54	INED
Mr. HUNG Kam Hung Allan	53	INED
Mr. MA Chun Fung Horace	36	INED

Executive Directors

Mr. CHING Chi Fai, aged 45, is an executive Director, Chairman and one of our Founders. 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. He was appointed as a Director on 29 May 2007 and designated as an executive Director on 9 July 2007.

Mr. CHING Chau Chung, aged 48, is an executive Director and one of our Founders. Mr. Ching has been responsible for finance, accounting and managing our information systems. Mr. Ching has over 20 years of experience in the amenity industry. He was appointed as a Director on 29 May 2007 and designated as an executive Director on 9 July 2007.

Mr. CHING Chi Keung, aged 43, is an executive Director. Mr. Ching has been responsible for human resources and administrative matters. Mr. Ching joined our Group with our Founders and has over 20 years of experience in the amenity industry. He was appointed as an executive Director on 9 July 2007.

Mr. Ching Chi Fai and Mr. Ching Chi Keung are brothers. Mr. Ching Chau Chung is not related to Mr. Ching Chi Fai and Mr. Ching Chi Keung.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. LIU Zigang, aged 42, 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 12 years of experience in the amenity industry. He was appointed as an executive Director on 9 July 2007. Mr. Liu holds a diploma from Shenzhen University.

Mr. LEE King Hay, aged 53, is an executive Director. Mr. Lee is responsible for overseeing manufacturing, logistics, laboratory and quality control. 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 11 years of experience in the amenity industry. He was appointed as an executive Director on 9 July 2007. 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 40, 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. She was appointed as an executive Director on 9 July 2007.

Ms. CHAN Wing, aged 36, is an executive Director, and our chief financial officer and company secretary. Ms. Chan is also our qualified accountant for the purposes of Rule 3.24 of the Listing Rules and is employed by our Company on a full-time basis. Ms. Chan is responsible for finance, accounting and company secretary matters. Ms. Chan joined our Group in April 2006. Ms. Chan worked as an accountant in various commercial organisations prior to joining our Group. She was a senior manager responsible for accounting matters of our Group before being appointed as an executive Director on 9 July 2007. Ms. Chan obtained a Bachelor Degree in Economics from Jiangxi University of Finances and Economics (江西財經大學(原江西財經學院)) and a Postgraduate Certificate in Professional Accounting from City University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Chinese Institute of Certified Public Accountants (CICPA) respectively.

Non-executive Director

Mr. NG Bo Kwong, aged 51, 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 resource 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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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 Hong Kong Polytechnic 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 54, is an INED. Mr. Sun has been appointed as an INED on 9 July 2007. Mr. Sun is an Associate of the Institute of Industrial Engineers of Ohio and has 28 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 Hong Kong Government in 2006. Mr. Sun currently serves on the board of directors as an independent non-executive director of Ka Shui International Holdings Limited, a Main Board listed company.

Mr. HUNG Kam Hung Allan, aged 53, 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 International Holdings Limited (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. Hung was appointed as an INED on 9 July 2007.

Mr. MA Chun Fung Horace, aged 36, is an INED. Mr. Ma specialises in internal audit and business risk consulting. Mr. Ma was a director and head of the Hong Kong operations of an international independent risk consulting firm from March 2004 to March 2007. The said firm provides business consultation services in numerous fields including business operations and management, information technology, financial management and internal auditing and risk consulting and investigative services. 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 committee member of ACCA Hong Kong and is co-chairing the Professional Development Sub-committee of ACCA HK. Mr. Ma was appointed as an INED on 9 July 2007.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE

We have put in place our corporate governance structure with a view to creating shareholder value. Our Board, which includes three INEDs out of a total of eleven Directors, is responsible for setting strategic, management and financial objectives and ensuring that the interests of our Shareholders, including those of minority Shareholders, are protected. Our Board has established an audit committee and a remuneration committee.

AUDIT COMMITTEE

An audit committee was established by our Board on 21 September 2007 with written terms of reference in compliance with Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and approve our financial reporting process and internal control system. The members of the audit committee are Mr. Ma Chun Fung Horace, Mr. Sun Kai Lit Cliff, Mr. Hung Kam Hung Allan (who are INEDs) and Mr. Ng Bo Kwong (a non-executive Director). Mr. Ma Chun Fung Horace is the chairman of the audit committee.

REMUNERATION COMMITTEE

A remuneration committee was established by our Board on 21 September 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The members of the remuneration committee are Mr. Ching Chi Fai (an executive Director), Mr. Ma Chun Fung Horace (an INED), Mr. Sun Kai Lit Cliff (an INED), Mr. Hung Kam Hung Allan (an INED) and Mr. Ng Bo Kwong (a non-executive Director). Mr. Ching Chi Fai is the chairman of the remuneration committee.

Remuneration packages of our Directors are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and discretionary bonuses are paid on annual basis based on our results, individual performance and other relevant factors. Our Directors are also eligible to participate in the Share Option Scheme maintained by our Group.

SENIOR MANAGEMENT

Ms. PO Ka Lai, aged 37, is our senior procurement manager. Ms. Po joined us in November 1988 and has over 18 years of experience in the amenity industry.

Mr. HU Zhi Bing, aged 32, is our management information systems manager responsible for managing the information systems department. Mr. Hu joined us in July 2001 and has over 5 years of experience in the amenity industry. He holds a Bachelor Degree in Economics from Zheng Zhou Airline Industry Management College (鄭州航空工業管理學院).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. YIP Hung Alice, aged 34, is our design manager. She assisted in setting up our in-house design team in 1998 and has been its team leader since then. Ms. Yip is responsible for all the in-house design, such as products design, amenities packaging designs for hotels, advertisements, photography, exhibitions etc. Ms. Yip joined us in 1998. Ms. Yip has over 10 years of experience in design of amenity and household products. Ms. Yip obtained a Bachelor Degree in Arts majoring in arts and design from the City University of New York in 1996.

Ms. CHAN Yick Ning, aged 44, is our chemical research and development manager and 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 the cosmetics production and laboratory operation. Ms. Chan was awarded a Diploma in Management Studies jointly by Hong Kong Polytechnic 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' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including any fees, salaries and other allowances and benefits in kind) paid by us to our Directors during each of the three years ended 31 December 2006 and six months ended 30 June 2007 was approximately HK\$4,837,000, HK\$4,394,000, HK\$5,263,000 and HK\$2,542,000 respectively. No fees or contributions to pension schemes or retirement benefit plans were payable to or on behalf of our Directors during these periods.

No remuneration was paid by us to or receivable by any Director for each of the last three years as an inducement to join or upon joining us. No compensation was paid by us to or receivable by any Director or past Director for each of the last three years for the loss of office as our Director or of any other office in connection with the management of our affairs. None of our Directors has waived any emoluments for each of the last three years.

The initial annual director's fee for Mr. Ma Chun Fung Horace, Mr. Sun Kai Lit Cliff and Mr. Hung Kam Hung Allan are HK\$150,000, HK\$150,000 and HK\$150,000 respectively.

The aggregate amount of fees, salaries and contributions to retirement benefit plans paid by us to the five highest paid individuals of our Group during each of the three years ended 31 December 2006 and six months ended 30 June 2007 was approximately HK\$4,693,000, HK\$4,317,000, HK\$4,815,000 and HK\$2,298,000, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended 31 December 2006, by us or any of our subsidiaries to our Directors.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Under the current arrangement, our Directors, excluding the non-executive Directors, are expected to receive an aggregate remuneration and benefits in kind of approximately HK\$5,463,000 (including bonuses) from our Group for the financial year ending 31 December 2007. All the INEDs together are expected to receive an aggregate remuneration of approximately HK\$75,000 for the two months ending 31 December 2007. Going forward, our Company's remuneration committee will be responsible for reviewing our Directors' remuneration. For additional information about our remuneration committee, please see "Directors, Senior Management and Employees – Remuneration Committee".

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to provide us with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to potential participants comprising of employees, Directors or non-executive Directors (including INEDs) of any member of our Group. For further details of the Share Option Scheme, please see "Share Option Scheme" in Appendix VI to this prospectus.

EMPLOYEES

As at 30 June 2007, we had 4,258 full-time employees. Our employees' deployment by function was as follows:

Functions

Production	3,593
Sales and marketing	107
Research and development (including quality assurance)	217
Management and other administration	141
Finance and accounting	31
Purchase and supply (including logistics)	<u>169</u>
Total headcount	<u><u>4,258</u></u>

We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, safety and sanitary conditions at the workplace, confidentiality obligations for commercial secrets, and grounds for termination. Other than employment contracts with middle and senior management, these employment contracts normally have a term of one year. We reward our employees for innovations and improvements by giving them incentive bonuses.

During the Track Record Period, we were involved in certain employee-related legal and/or arbitral proceedings. For further details about such proceedings, please refer to the section headed "Business – Litigation" in this prospectus. Our Directors believe that such proceedings are individual and exceptional incidents and have no adverse impact on the relationship with our staff and we maintain a good relationship with our employees.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We invest in continuing education and training programs for our management staff and other employees with a view to constantly upgrading their skills and knowledge. We have arranged for internal and external vocational training courses to develop our employees' skills and knowledge. These training courses range from further educational studies to basic production process and skill training to professional development courses for our management personnel.

During the Track Record Period, we had not encountered any shortage of labour or significant increase in our labour cost which had a material adverse impact on our business operation.

Social Welfare

According to the Labour Laws of the PRC (《中華人民共和國勞動法》), the Decision in relation to the Establishment of Basic Medical Insurance System for Employees in Urban Areas (《關於建立城鎮職工基本醫療保險制度的決定》), the Decision in relation to the Perfection of Basic Pension Insurance System for Enterprise Employees (《關於完善企業職工基本養老保險制度的決定》) and the Regulations for the Job-related Injury Insurance (《工傷保險條例》) promulgated by the State Council, the Interim Rules on Maternity Insurance for Employees of an Enterprise (《企業職工生育保險試行辦法》) promulgated by the PRC Labour Department, and the other relevant rules and regulations of Guangdong Province and Shenzhen City, Ming Fai Shenzhen and Luoding Quality Amenities shall attend to basic pension insurance, basic medical insurance, unemployment insurance, job-related injury insurance and maternity insurance ("Social Insurance(s)") according to laws. We may also be required to make housing provident fund contributions for our employees according to applicable PRC laws and regulations.

Social Insurances

Ming Fai Shenzhen has not made full contributions of the Social Insurances in accordance with the relevant legal requirements which constituted to a violation to the relevant laws and regulations in relation to Social Insurance management. Based on the understanding of our PRC legal advisers with the responsible persons of the Shenzhen Social Insurance Management Bureau (深圳市社會保險管理局), the main reason for such non-compliance is the high mobility of migrant workers (農民工) and the discrepancy in actual contributions of Social Insurances against relevant national regulatory requirements in Longgang district of Shenzhen City is a common phenomenon.

According to the Provisional Rules on Social Welfare Collection and Contribution (《社會保險徵繳暫行條例》) promulgated by the State Council, if enterprises do not make full contribution of Social Insurances, local administration for labour and social insurance in charge may issue Reminder for Payment of Social Insurance (《社會保險費催繳通知書》) and Directive of Limitation for Remediation (《限期改正指令書》) to such enterprises. If such enterprises fail to remedy the non-compliance situation within the limitation period, they have to pay a 0.2% overdue penalty in addition to the unpaid contributions and the management and other persons with direct responsibilities of such enterprises may be fined to a maximum of RMB10,000. Currently, relevant local administration for labour and social insurance in charge has not issued any such reminder or directive to Ming Fai Shenzhen.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Pursuant to the judicial interpretation of the PRC Supreme People's Court (中華人民共和國最高人民法院) and directive documents issued by the Higher People's Court of Guangdong Province (廣東省高級人民法院), apart from claims for Social Insurance benefits by retired workers against their original employers which have failed to participate in Social Insurance arrangement, people's courts will not hear cases involving other claims in relation to Social Insurances which are dealt with by the relevant local administration for labour and social insurance in charge. In practice, relevant local administration for labour and social insurance in charge usually require enterprises to make up the unpaid Social Insurance contribution only. According to our PRC legal advisers, if it occurs that any employee (including ex-employees) claim against Ming Fai Shenzhen for unpaid Social Insurance benefits, the said judicial interpretation and directive documents shall apply.

Our Directors confirmed that we did not experience any material claims from employees who had resigned during the Track Record Period for unpaid Social Insurance contributions. The amount of unpaid Social Insurance contributions relating to the resigned employees of Ming Fai Shenzhen during the Track Record Period is approximately RMB7.7 million. Our PRC legal advisers are of the view that the possibility that ex-employees would collectively claim against Ming Fai Shenzhen for any unpaid Social Insurance contributions is low such that Ming Fai Shenzhen has to bear substantial expenses is minimal. In respect of employees of Ming Fai Shenzhen as at 30 June 2007, unpaid contributions amounted to approximately RMB24.0 million which we had made relevant provisions in our accounts. If we failed to remedy the non-compliance situation within the limitation period upon request by the relevant authorities, the maximum amount of overdue penalty that we had to pay would be approximately RMB63,400, being 0.2% of RMB31.7 million being the total unpaid Social Insurance contributions for both our employees and ex-employees. We have not received any relevant legal documentation from any local authorities, arbitral committees or courts relating to disputes about payment of these contributions.

We do not intend to settle the non-contributions of the Social Insurances by Ming Fai Shenzhen as the mobility of migrant workers is high and most of our resigned workers have probably migrated to places outside Guangdong Province already and based on our PRC legal advisers the possibility of collective claim by ex-employees for unpaid contributions is minimal. In respect of our current employees, we had made relevant provisions in the sum of RMB24.0 million for our employees as at 30 June 2007. Moreover, our Controlling Shareholders have agreed to indemnify us for any losses, liabilities or damages suffered in connection with such non-compliance, to the extent provision reserve or allowance has not been made for such costs, liabilities or damages in the audited combined accounts of our Group or the audited accounts of any members of our Group for each of the three years ended 31 December 2006 and for the six months ended. For details, please refer to the paragraph headed “– Ongoing Compliance” below in this prospectus.

Luoding Quality Amenities has attended to all Social Insurances and there does not exist any non-contribution situation leading to penalty pursuant to the certification issued by the Luoding Social Insurance Management Bureau (羅定市社會保險基金局).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Housing Provident Fund

According to the Temporary Rules on Social Insurance of Shenzhen (《深圳市社會保險暫行規定》), the relevant regulations in relation to housing provident funds are applicable to fixed employees and employees on contract basis of enterprises in Shenzhen. However, it is not a mandatory requirement under the said Rules for enterprises to make housing provident fund contributions for their employees. Based on the understanding of our PRC legal advisers with the responsible persons of the Shenzhen Social Insurance Management Bureau (深圳市社會保險管理局), the said Bureau does not currently require enterprises in Shenzhen to make housing provident fund contribution for their employees. In the premises, our PRC legal advisers are of the opinion that it is currently not necessary for Ming Fai Shenzhen to make housing provident fund contribution for its employees.

Pursuant to the Regulations for the Housing Provident Fund Contributions (《住房公積金管理條例》) promulgated by the State Council in 2002, newly established enterprises shall make housing provident fund registration with the relevant housing provident fund management centre within 30 days from the date of its establishment and open housing provident fund accounts with its entrusting bank for their employees with the relevant documentation issued by the housing provident fund management centre within 20 days from the date of its establishment. Based on the understanding of our PRC legal advisers with the responsible bodies of the Yunfu Housing Provident Fund Management Centre (雲浮市住房公積金管理中心), superior authorities to the said local authorities at Luoding, enterprises within the jurisdiction of Yunfu City (including Luoding City) shall make contributions arrangement for housing provident fund according to the applicable provisions of the Regulations for the Housing Provident Fund Contributions.

Luoding Quality Amenities has not made full contributions of the housing provident funds. As Luoding Quality Amenities only commenced operation in late 2006, the amount of outstanding housing provident fund contributions as at 30 June 2007 was approximately HK\$110,000. According to the said Regulations, relevant housing provident fund management centres may order enterprises to pay outstanding housing provident fund contributions within a time limit. If the enterprises fail to fulfil the orders within the limitation period, they will be fined for a penalty between RMB10,000 to RMB50,000. We have not received any such orders as at the Latest Practicable Date. Accordingly, if at any time the relevant authorities ordered payment of the outstanding housing provident fund contributions and Luoding Quality Amenities should fail to pay in time, it may face the above-mentioned administrative punishment. According to the understanding of our PRC legal advisers, the local housing provident fund management centre had never imposed penalty on any enterprise for failure to make punctual and full housing provident fund contribution but only require the enterprises to make up the unpaid contribution. Our PRC legal advisers are therefore of the view that the possibility of the local authorities to impose the above-mentioned administrative penalty on us is minimal. Meanwhile, we had made provision of HK\$110,000 for the unpaid contribution as at 30 June 2007. We are assessing and will continue to assess the situation and make additional provisions where necessary.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ongoing Compliance

We have made provisions in the sum of RMB24.0 million as at 30 June 2007 in our accounts for the above non-compliance of Ming Fai Shenzhen with the Social Insurance contributions. This amount does not take into account any delinquency payments or fines as, according to our PRC legal advisers, in practice, if it occurs that any employee (including ex-employees) claim against us for social insurance payments, relevant local administration for labour and social insurance in charge usually only require enterprises to make up the unpaid social insurance contribution. The amount also does not cover any unpaid Social Insurance contributions relating to the resigned employees of Ming Fai Shenzhen during the Track Record Period of approximately RMB7.7 million as our PRC legal advisers are of the view that the possibility that ex-employees would collectively claim against Ming Fai Shenzhen for any unpaid Social Insurance contributions is low such that Ming Fai Shenzhen has to bear substantial expenses is minimal. We have made provisions in the sum of HK\$110,000 as at 30 June 2007 in our accounts for the non-contributions to the housing provident fund. We did not make any provision for the potential penalty in consideration of the opinion from our PRC legal advisers that it is unlikely that such overdue penalty will be imposed and the immateriality of such maximum penalty level (i.e. RMB50,000). We believe the foregoing provisions are sufficient to cover any potential claims arising from the non-compliance with the relevant social welfare laws and regulations. We have the financial strength to support any additional penalties and will continue to monitor the adequacy of our provisions. We will make additional provisions as necessary.

We will make the required contributions if it is ordered to do so within the relevant deadlines. Moreover, our Controlling Shareholders have agreed to indemnify us for any losses, liabilities or damages suffered in connection with any violation or non-compliance by any member of our Group with any applicable national and local labour laws, regulations or rules in the PRC. For further details in this respect, please see “Other Information – 1. Estate duty, tax and other indemnities” in Appendix VI to this prospectus.

Our PRC legal advisers have advised that according to the labour laws and regulations, when disputes on the Social Insurances and housing provident contributions between the employees and our Group arise, the employees have the right to file an application directly with local administration for labour and social insurance for arbitration. The arbitration ruling may require us to fulfill our obligations in accordance with the national laws and regulations. Save for the aforementioned and as disclosed in the section headed “Risk Factors – Non-compliance with PRC employee social welfare contribution regulations may lead to the imposition of fines or penalties and our provisions for unpaid social welfare contributions may be insufficient” in this prospectus, we have complied with the applicable employment laws and regulations in the PRC in all material respects and were not in breach of such laws and regulations during the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Labour

The operations of Ming Fai Shenzhen and Luoding Quality Amenities in the PRC shall comply with the Labour Law of the PRC, and other relevant rules and regulations regarding labour management. Labour contracts are entered into by Ming Fai Shenzhen and Luoding Quality Amenities with all their respective employees to confirm their labour relations.

As of the Latest Practicable Date, Ming Fai Shenzhen and Luoding Quality Amenities were not involved in any major labour disputes nor there existed any punishment imposed by the relevant labour administrative departments which would have a material adverse effect on our financial condition or results of operations.

Production Safety

Ming Fai Shenzhen and Luoding Quality Amenities shall comply with the PRC Production Safety Law (《中華人民共和國安全生產法》) and other rules and regulations regarding production safety in China. According to the certification documents issued by the Production Safety Supervision and Management Office of Pinghu Street, Longgang District, Shenzhen City (深圳市龍崗區平湖街道安全生產監督管理辦公室), Ming Fai Shenzhen had not experienced any administrative punishment regarding non-compliance with relevant production safety laws and regulations during the Track Record Period.

According to the certification documents issued by the Production Safety Supervision and Management Bureau of Luoding City (羅定市安全生產監督管理局), Luoding Quality Amenities had not experienced any administrative punishment regarding non-compliance with relevant production safety laws and regulations since its incorporation.

Directors' Confirmation

Save as disclosed above, our Directors confirm that we have not experienced any non-compliance with relevant applicable labour and safety laws and regulations.

COMPLIANCE ADVISOR

We will appoint DBS Asia as our compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

We expect to enter into a compliance adviser's agreement with the compliance adviser, the material terms of which we expect to be as follows:

- (a) we will appoint the compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the date of listing of our Shares on the Stock Exchange and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of publication of our financial results for the financial year ending 31 December 2008, unless terminated earlier in accordance with the terms of the agreement;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (b) the compliance adviser shall provide us with such advisory services as are required to be provided by a compliance adviser pursuant to Chapter 3A of the Listing Rules; and
- (c) we may terminate the appointment of the compliance adviser if the compliance adviser's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to the compliance adviser as permitted by Rule 3A.26 of the Listing Rules. The compliance adviser will have the right to terminate its appointment if we breach the agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the following persons will have interests or short positions in our Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO (except they are Directors), or are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Name of Substantial Shareholders	Capacity/nature of interest	Number of Shares directly or indirectly held immediately following completion of the Share Offer and the Capitalisation Issue	Approximate percentage of the issued share capital of the Company immediately following completion of the Share Offer and the Capitalisation Issue
Mr. Ching Chi Fai ⁽¹⁾	Interest in controlled company	183,666,600	30.61%
Ms. Lo Kit Ling ⁽²⁾	Family interest	183,666,600	30.61%
Prosper Well ⁽⁵⁾	Beneficial owner	183,666,600	30.61%
Mr. Ching Chau Chung ⁽³⁾	Interest in controlled company	170,976,600	28.50%
Ms. Wong Sei Hang ⁽⁴⁾	Family interest	170,976,600	28.50%
Pacific Plus ⁽⁶⁾	Beneficial owner	170,976,600	28.50%
Mr. Ching Chi Keung ⁽⁷⁾	Interest in controlled company	44,499,600	7.42%
Ms. Po Fung Kiu ⁽⁸⁾	Family interest	44,499,600	7.42%
Ms. Chan Yim Ching ⁽⁷⁾	Interest in controlled company	44,499,600	7.42%
Mr. Lee King Keung ⁽⁹⁾	Family interest	44,499,600	7.42%
Targetwise ⁽¹⁰⁾	Beneficial owner	44,499,600	7.42%

SUBSTANTIAL SHAREHOLDERS

Note:

1. These Shares will be owned by Prosper Well, which is wholly-owned by Mr. Ching Chi Fai. Mr. Ching Chi Fai individually is a Controlling Shareholder. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of our Company, are together regarded as a Controlling Shareholder.
2. As Prosper Well is wholly-owned by Mr. Ching Chi Fai, he is deemed to be interested in the Shares held by Prosper Well by virtue of Part XV of the SFO. Ms. Lo Kit Ling, being Mr. Ching Chi Fai's spouse, will be deemed to be interested in the Shares held by Prosper Well under Part XV of the SFO.
3. These Shares will be owned by Pacific Plus, which is wholly-owned by Mr. Ching Chau Chung. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of our Company, are together regarded as a Controlling Shareholder.
4. As Pacific Plus is wholly-owned by Mr. Ching Chau Chung, he is deemed to be interested in the Shares held by Pacific Plus by virtue of Part XV of the SFO. Ms. Wong Sei Hang, being Mr. Ching Chau Chung's spouse, will be deemed to be interested in the Shares held by Pacific Plus under Part XV of the SFO.
5. Prosper Well is wholly-owned by Mr. Ching Chi Fai. Prosper Well itself is a Controlling Shareholder. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of our Company, are together regarded as a Controlling Shareholder.
6. Pacific Plus is wholly-owned by Mr. Ching Chau Chung. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of our Company, are together regarded as a Controlling Shareholder.
7. These Shares will be owned by Targetwise, which is beneficially owned as to 50% by each of Mr. Ching Chi Keung and Ms. Chan Yim Ching, both are executive Directors. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of our Company, are together regarded as a Controlling Shareholder.
8. As Targetwise is owned as to 50% by Mr. Ching Chi Keung, he is deemed to be interested in the Shares held by Targetwise by virtue of Part XV of the SFO. Ms. Po Fung Kiu, being Mr. Ching Chi Keung's spouse, will be deemed to be interested in the Shares held by Targetwise under Part XV of the SFO.
9. As Targetwise is owned as to 50% by Ms. Chan Yim Ching, she is deemed to be interested in the Shares held by Targetwise by virtue of Part XV of the SFO. Mr. Lee King Keung, being Ms. Chan Yim Ching's spouse, will be deemed to be interested in the Shares held by Targetwise under Part XV of the SFO.
10. Targetwise is beneficially owned as to 50% by each of Mr. Ching Chi Keung and Ms. Chan Yim Ching, both are executive Directors. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of our Company, are together regarded as a Controlling Shareholder.

SUBSTANTIAL SHAREHOLDERS

NON-DISPOSAL UNDERTAKING

Pursuant to Rule 10.07 of the Listing Rules, each of Mr. Ching Chi Fai, Mr. Ching Chi Keung, Ms. Chan Yim Ching, Mr. Liu Zigang, Prosper Well, Targetwise and Favour Power has, jointly and severally, undertaken to the Stock Exchange, our Company and the Global Coordinator by way of an undertaking letter that he/she/it shall not directly or indirectly and shall procure that the relevant registered holder(s) shall not (except pursuant to or in connection with the offer of the Sale Shares or pursuant to the Share Offer and the Stock Borrowing Agreement):

- (a) during the First Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; or
- (b) where applicable, during the Second Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it, individually (in the case of Mr. Ching Chi Fai/Prosper Well) or together with Mr. Ching Chau Chung and Pacific Plus as a group, would cease to be a Controlling Shareholder.

Each of Mr. Ching Chi Fai, Mr. Ching Chi Keung, Ms. Chan Yim Ching, Mr. Liu Zigang, Prosper Well, Targetwise and Favour Power has also jointly and severally undertaken to the Stock Exchange, our Company and the Global Coordinator by way of an undertaking letter that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

- (1) when he/she/it pledges or charges any Shares beneficially owned by him/her/it, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when he/she/it receives indications, whether verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform us of such indications.

We shall inform the Stock Exchange as soon as we have been informed of matters referred to in (1) and (2) above by any of Mr. Ching Chi Fai, Mr. Ching Chi Keung, Ms. Chan Yim Ching, Mr. Liu Zigang, Prosper Well, Targetwise and Favour Power and disclose such matters by way of an announcement in accordance with the Listing Rules as soon as practicable.

SUBSTANTIAL SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of Mr. Ching Chau Chung and Pacific Plus has, jointly and severally, undertaken to the Stock Exchange, our Company and the Global Coordinator by way of an undertaking letter that he/it shall not directly or indirectly and shall procure that the relevant registered holder(s) shall not (except pursuant to or in connection with the offer of the Sale Shares or pursuant to the Share Offer):

- (a) during the First Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; or
- (b) where applicable, during the Second Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it together with Mr. Ching Chi Fai, Mr. Ching Chi Keung, Ms. Chan Yim Ching, Mr. Liu Zigang, Prosper Well, Targetwise and Favour Power as a group, would cease to be a Controlling Shareholder.

Each of Mr. Ching Chau Chung and Pacific Plus has also jointly and severally, undertaken to the Stock Exchange, our Company and the Global Coordinator by way of an undertaking letter that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:

- (1) when he/it pledges or charges any Shares beneficially owned by him/it, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when he/it receives indications, whether verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform us of such indications.

We shall inform the Stock Exchange as soon as we have been informed of matter referred to in (1) and (2) above by any of Mr. Ching Chau Chung and Pacific Plus and disclose such matters by way of an announcement in accordance with the Listing Rules as soon as practicable.

Further details of undertakings given by our Controlling Shareholder are set out under the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Undertakings” of this prospectus.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang, as a group of persons entitled to exercise 30% or more of voting rights at general meeting of our Company, are together regarded as a Controlling Shareholder. Each of Prosper Well and Mr. Ching Chi Fai (through Prosper Well) is entitled to exercise 30% or more of voting rights at general meeting of our Company and regarded as a Controlling Shareholder.

Details of the shareholdings of the Controlling Shareholders are set forth in the section headed “Substantial Shareholders” in this prospectus and the section headed “Further Information about our Directors, Senior Management, Staff, Substantial Shareholders and Experts” in Appendix VI to this prospectus.

NON-COMPETITION UNDERTAKINGS

Subject to the terms therein, each of the Controlling Shareholders and the Directors (other than INEDs) has as covenantors entered into a deed of non-competition dated 8 October 2007 (“Deed of Non-competition”) in favour of our Company (for itself and on behalf of our Group), pursuant to which each of them has undertaken, subject to the exceptions mentioned below, to our Company (for itself and for the benefit of its subsidiaries) that it/he/she will not, and will procure that its/his/her associates and/or companies controlled by it/him/her (other than our Group) will not, either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with our Group’s business as set out in this prospectus, in Hong Kong, the PRC and any other country or jurisdiction to which our Group markets, sells, distributes, supplies or otherwise provides its products and/or in which any member of our Group carries on business mentioned above from time to time (“Restricted Activity”).

The aforementioned undertakings will not apply as provided hereunder:

- (a) it/he/she and/or its/his/her associates will be entitled to invest, participate and be engaged in any Restricted Activity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Board and our Company has, after review and approval by our INEDs, confirmed that it does not wish to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which it/he/she (or its/his/her relevant associate(s)) invests, participates or engages in the Restricted Activity are substantially the same as those disclosed to our Company and our Board;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) the holding of or interests in shares or other securities by it/him/her and/or its/his/her associates in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a stock exchange and either:
 - (i) the relevant Restricted Activity (and assets relating thereto) accounts for less than 10% of the relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by it/him/her and its/his/her associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that it/he/she and its/his/her associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of shares of the company in question holding (together, where appropriate, with its associates) a larger percentage of the shares of the company in question than it/he/she and its/his/her associates together hold.

Each of the Controlling Shareholders and the Directors (other than INEDs) further undertakes to our Company that it/he/she will provide our Company (including the INEDs) with all information necessary for their review and the enforcement of all undertakings, representations and warranties contained in the Deed of Non-competition, and make an annual declaration of compliance with such undertakings, representations and warranties for disclosure in our Company's annual reports.

The Deed of Non-competition and the rights and obligations thereunder are subject to and conditional upon the Share Offer becoming unconditional as specified under the paragraph headed "The Hong Kong Public Offer" in the section headed "Structure of the Share Offer" in this prospectus.

The obligations of the Controlling Shareholder(s) under the Deed of Non-competition will remain in effect until:

- (a) the date on which our Shares cease to be listed on the Stock Exchange; or
- (b) the date on which it/he/she and its/his associates/her and/or successors, individually or together with any other Controlling Shareholder(s), cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as controlling shareholder of our Company (within the meaning defined in the Listing Rules from time to time); or
- (c) the date on which the relevant Controlling Shareholder and its/his/her associates and/or successors cease to hold any Shares;

whichever occurs first.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The obligation of each of the Directors (other than INEDs) who are not Controlling Shareholder under the Deed of Non-competition shall cease to have any effect whatsoever on:

- (a) the date on which the Shares cease to be listed on the Stock Exchange; or
- (b) the date on which he/she ceases to be a Director;

whichever occurs first.

The INEDs will review, at least on an annual basis, the compliance with the undertakings (including the provision of the options, pre-emptive rights or rights of first refusal by the covenantors under the Deed of Non-competition) in the Deed of Non-competition by the covenantors. The Company will disclose decisions on matters reviewed by the INEDs relating to the compliance and enforcement of the undertakings in the Deed of Non-Competition either through the annual report or by way of announcement to the public.

Competition

None of the Controlling Shareholders, the shareholders of Prosper Well, Pacific Plus, Targetwise and Favour Power and the Directors has any businesses, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with the business of our Group.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

We believe that we can carry on our business independently of our Controlling Shareholders (and our Controlling Shareholder's associates) following the Listing, and that we satisfy the relevant requirements under the Listing Rules, since our Controlling Shareholders and their respective associates (a) do not have any interests in any business that competes or is likely to compete with ours; (b) do not have any dealings with us (other than two exempted continuing connected transactions as disclosed in the section headed "Connected Transactions" in this prospectus); (c) our Controlling Shareholders have entered into the Deed of Non-competition in our favour; (d) the corporate Controlling Shareholders (i.e. Pacific Plus, Prosper Well, Targetwise and Favour Power) are investment holding companies and do not carry on any business; (e) all amounts due to Shareholders and related parties and all dividend payable are settled as at the date of this prospectus; (f) the Controlling Shareholders do not share common resources with the Group; and (g) all guarantees given by related parties for our bank borrowings are expected to be replaced by a corporate guarantee given by us upon Listing.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised Share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately after completion of the Share Offer.

HK\$

Authorised Share capital:

10,000,000,000	Shares of HK\$0.01 each	100,000,000
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Issued and paid up Share capital:

100,000,000	Shares in issue as at the date of this prospectus	1,000,000
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Shares to be issued:

350,000,000	Shares to be issued pursuant to Capitalisation Issue	3,500,000
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<u>150,000,000</u>	<u>Shares to be issued pursuant to the Share Offer</u>	<u>1,500,000</u>
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Total issued and to be issued Share capital:

<u>600,000,000</u>	<u>Shares of HK\$0.01 each</u>	<u>6,000,000</u>
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(1) Assumption

The above table assumes that the Share Offer becomes unconditional and does not take into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option. It also does not take into account any exercise of any options granted or to be granted under the Share Option Scheme referred to in Note 5 below or any Shares which may be issued or repurchased pursuant to the General Mandate referred to in Note 3 below or the Repurchase Mandate referred to in Note 4 below, as the case may be.

(2) Ranking

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus, except for entitlement under the Capitalisation Issue.

(3) General Mandate

Our Directors have been granted a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with (otherwise than by way of rights issues, scrip dividend or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of the options which may be

SHARE CAPITAL

granted under the Share Option Scheme or other similar arrangements) Shares with an aggregate nominal value not exceeding the sum of:

- 20% of the aggregate nominal value of our share capital in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme); and
- the aggregate nominal amount of Shares repurchased under the authority granted by us to our Directors pursuant to the Repurchase Mandate referred to in Note 4 below (if any).

This general mandate will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Articles or any applicable law to be held; or
- the revocation, variation or renewal by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this General Mandate, please refer to the section headed “Further Information about the Company – Written resolutions of the members of the Company passed on 5 October 2007” in Appendix VI to this prospectus.

(4) Repurchase Mandate

Our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of our share capital in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme).

SHARE CAPITAL

The general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which our next annual general meeting is required to be held under the Articles or any applicable law; and
- (iii) the revocation, variation or renewal by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

(5) Share Option Scheme

We have conditionally adopted a share option scheme. Details of the principal terms of our Share Option Scheme are summarised in the section headed “Share Option Scheme” in Appendix VI to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial information, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this prospectus. We have prepared the combined financial information on the basis set out in Note 2 of Section II of Appendix I and in accordance with the accounting policies that are in conformity with HKFRS.

This prospectus contains certain forward-looking statements relating to our plans, objectives, expectations and intentions, which involves risks and uncertainties. Our future financial condition could differ materially from that discussed in this prospectus. For factors that could cause or contribute to such differences, please refer to the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are one of the PRC-based suppliers and manufacturers of quality amenity products and accessories to internationally recognised or branded operators in the hotel, hospitality and travel industries within and outside the PRC. Our Directors believe that we have an established position in the PRC because of our over 20 years of operations in the PRC, our one-stop comprehensive product offerings, strong design and customisation capabilities, fully integrated production process, in-depth manufacturing know-how and high quality control, as well as our strategic focus in the hotel, hospitality and travel industries. Such business acumen has enabled us to become one of the few amenity suppliers which caters for luxurious and high ranking hotels and international airlines, and has clearly distinguished us from other general amenity suppliers.

We principally target internationally recognised hotel chains and airline operators as our direct-sales customers or end-user groups. We boast a direct-sales clientele of famous hotels, hotel chains and airline operators, including a number of leading household names in their respective industries such as Shangri-La Hotels and Resorts, Sheraton Sanya Resort, Diaoyutai State Guesthouse, JW Marriott Hong Kong, Hotel Nikko Hong Kong, Le Meridien Cyberport, Renaissance Kowloon Hotel, Cathay Pacific, Dragonair, and LSG Sky Chefs (a wholly-owned subsidiary of Lufthansa). Shangri-La Hotels and Resorts is one of our five largest customers and accounts for approximately 4.8% of our total sales for the year ended 31 December 2006. The other named direct-sale customers are individual hotels and sales to each of them contributed to less than 1% of our total sales during the Track Record Period. As to the airline operators, Cathay Pacific accounted for approximately 1.9% of our total sales for the year ended 31 December 2006. We did not record any sales to Le Meridien Cyberport, Dragonair and LSG Sky Chefs (a wholly-owned subsidiary of Lufthansa) for the year ended 31 December 2006 as they only became our customers since 2007. We also boast a clientele of major international distributors of amenity products such as Guest Supply, Guest International, JRS Amenities, Room Service Amenities, and Wessco, which supply amenity products to other internationally recognised end-user hotel chains and airline operators and service providers. They accounted for approximately 11.1%, 11.1%, 2.1%, 3.6% and 3.3% respectively of our total sales for the year ended 31 December 2006. Our Directors consider these target customers and end-user groups have substantial recurring needs for amenity products and accessories, particularly those products which are designed for single use in hotels or on board aircrafts. We also supply small amounts of plastic covers for hospital surgical equipment and customer gift sets for retail businesses to other

FINANCIAL INFORMATION

distributors such as an overseas distributor of disposable medical devices and Paris Presents, which accounted for approximately 3.9% and 3.3% respectively of our total sales for the year ended 31 December 2006.

Due to different market dynamics, during the Track Record Period, our products were sold either to direct-sales customers and distributorship-sales customers principally in the Greater China and Southeast Asian markets or to wholesale distributors and trading companies supplying other end-user groups in other overseas markets.

The following table sets forth our annual revenue, operating profit, profit attributable to equity holders, operating margin and profit margin for each year in the three years ended 31 December 2006 and the six months ended 30 June 2006 and 2007:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Selected income statement data:					
Revenue	350,717	507,387	687,406	313,286	383,207
Operating profit	37,835	69,512	112,804	53,434	72,404
Profit attributable to equity holders of the Company	26,457	55,002	92,354	42,579	59,742
Selected operating data:					
Operating margin	10.8%	13.7%	16.4%	17.1%	18.9%
Profit margin	7.5%	10.8%	13.4%	13.6%	15.6%

FACTORS AFFECTING RESULTS OF OPERATIONS

Our results of operations and the period-to-period comparability of our financial results are affected by a number of factors, including the following principal factors:

Demand for our products. A key driver of our revenues is demand for our hotel room and airline amenity products and accessories. Demand is in turn driven by several key factors, including the performance of hotel, hospitality and travel industries, which affect demand for amenity products generally and demand for the amenity products we manufacture, and general economic conditions, particularly those in the North America and Europe, where the bulk of our amenity products are sold. Our total sales increased during the Track Record Period was primarily as a result of increase in sales orders from our existing customers due to our stable and amicable business relationship of an average of 10 years with our major direct-sales customers and our distributors.

Product mix. Our revenues are also affected by the selling prices of our products and the mixture of product types. Our product pricing is largely dependent on the customer preferences which dictate our product mix. Average selling prices are affected by the mix of

FINANCIAL INFORMATION

hotel room and airline amenity products and accessories we sell, as well as by the mix of amenity products and accessories within each category as each type of amenity product and accessory command a different selling price. Although we adjust our product mix according to customer preferences, we maintain our focus on manufacturing high margin amenity products and accessories that command higher average selling prices.

Production volume. Our revenues are affected by the volume of our sales, which is linked to the volume of amenity products and accessories we produce. We have experienced significant growth in production volumes resulting from increased capital investment to meet customer demand during the Track Record Period and plan to continue to expand capacity at our Pinghu Production Base and our Luoding Production Base or new production sites at other locations.

Prices of certain raw materials. Raw material costs, mainly comprise of plastics, soap noodles, papers and sodium laureth sulphate, represent 70.4%, 73.6%, 73.6% and 74.6% of our total cost of sales for the three years ended 31 December 2006 and the six months ended 30 June 2007. The prices for these principal raw materials can be volatile and subject to periodic shortages caused by external conditions, such as fluctuations in commodity prices and foreign exchange. If there is a shortage in these raw materials for any given year, then our margins and profitability may be adversely affected.

Cost of labor. As our operations are labor-intensive, labor costs represent a relatively large proportion of our total cost of sales, which was about 15.2%, 13.8%, 14.4% and 14.9% of our total cost of sales for the three years ended 31 December 2006 and the six months ended 30 June 2007. While cost of labor has increased in recent years, we continue to relocate certain labor-intensive processes to our Luoding Leased Factory as to increase productivity at our Pinghu Production Base for higher margin products. We anticipate that labor costs will continue to be subject to upward pressure and seek to mitigate increases in labor costs by enhancing our production process and technology to increase worker productivity.

Distribution and logistics costs. Distribution and logistics costs affect our profitability. We seek to reduce these costs by improving our on-time production (which reduces air freight charges and late delivery fees) and managing our inventories efficiently. In this regard, we hope to enjoy the benefits of further expansion into the hotel, hospitality and travel industries in China.

FINANCIAL INFORMATION

SELECTED HISTORICAL COMBINED FINANCIAL DATA

The selected historical combined financial data set forth below have been extracted from our combined financial information for each of the three financial years ended 31 December 2006 and the six months ended 30 June 2006 and 2007 (the “Financial Information”), all of which is set forth in the Accountants’ Report attached as Appendix I to this prospectus. The Financial Information has been prepared on the basis set out in Note 2 of Section II of Appendix I to this prospectus and in accordance with the accounting policies that are in conformity with HKFRS. Investors should read these selected combined financial data together with Appendix I to this prospectus and the discussion under the paragraph headed “Results of Operations” below.

Income Statements

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2006</u>	<u>2007</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(unaudited)</i>	
Revenue	350,717	507,387	687,406	313,286	383,207
Cost of sales	<u>(248,159)</u>	<u>(371,171)</u>	<u>(492,100)</u>	<u>(223,722)</u>	<u>(265,474)</u>
Gross profit	102,558	136,216	195,306	89,564	117,733
Distribution costs	(32,389)	(35,255)	(44,063)	(20,990)	(25,741)
Administrative expenses	(32,511)	(32,096)	(40,056)	(15,907)	(20,607)
Other income	<u>177</u>	<u>647</u>	<u>1,617</u>	<u>767</u>	<u>1,019</u>
Operating profit	37,835	69,512	112,804	53,434	72,404
Finance costs	(1,845)	(1,011)	(1,756)	(1,222)	(241)
Share of profit of an associated company	<u>–</u>	<u>–</u>	<u>12</u>	<u>4</u>	<u>40</u>
Profit before income tax	35,990	68,501	111,060	52,216	72,203
Income tax expenses	<u>(9,533)</u>	<u>(13,499)</u>	<u>(18,706)</u>	<u>(9,637)</u>	<u>(12,461)</u>
Profit for the year/ period attributable to equity holders of the Company	<u>26,457</u>	<u>55,002</u>	<u>92,354</u>	<u>42,579</u>	<u>59,742</u>

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	As at 31 December			As at 30 June
	2004	2005	2006	2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Selected balance sheet data:				
Total non-current assets	98,428	110,088	120,090	130,849
Total current assets	<u>136,424</u>	<u>184,976</u>	<u>285,510</u>	<u>307,498</u>
Total assets	234,852	295,064	405,600	438,347
Total current liabilities	<u>(140,822)</u>	<u>(175,605)</u>	<u>(240,699)</u>	<u>(210,639)</u>
Total assets less current liabilities	94,030	119,459	164,901	227,708
Total non-current liabilities	<u>(685)</u>	<u>(5,451)</u>	<u>(345)</u>	<u>(331)</u>
Total equity	<u><u>93,345</u></u>	<u><u>114,008</u></u>	<u><u>164,556</u></u>	<u><u>227,377</u></u>
Net current (liabilities)/assets	<u><u>(4,398)</u></u>	<u><u>9,371</u></u>	<u><u>44,811</u></u>	<u><u>96,859</u></u>

RESULTS OF OPERATIONS

The table below sets forth selected results of operations data expressed as a percentage of our revenue, for the periods indicated. Our historical results of operations are not necessarily indicative of the results for any future period.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	(%)	(%)	(%)	(%)	(%)
Revenue	100	100	100	100	100
Cost of Sales	<u>(70.8)</u>	<u>(73.2)</u>	<u>(71.6)</u>	<u>(71.4)</u>	<u>(69.3)</u>
Gross margin	29.2	26.8	28.4	28.6	30.7
Distribution costs	(9.2)	(6.9)	(6.4)	(6.7)	(6.7)
Administrative expenses	(9.3)	(6.3)	(5.8)	(5.1)	(5.4)
Other income	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>
Operating profit	10.8	13.7	16.4	17.1	18.9
Finance costs	(0.5)	(0.2)	(0.3)	(0.4)	(0.1)
Share of profit of an associated company	<u>—</u>	<u>—</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Profit before income tax	<u>10.3</u>	<u>13.5</u>	<u>16.2</u>	<u>16.7</u>	<u>18.8</u>
Net profit margin	7.5	10.8	13.4	13.6	15.6

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Revenue

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. Our revenue mainly consists of sales of hotel room and airline amenity products and accessories. Our sales volume is driven by customer demand and supplier pricing, our average selling prices, and our ability to maintain a product mix that is current with customer preferences. Sales revenue is 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 the collectibility of the related receivables is reasonably assured. Sales revenue is mainly denominated in US dollars, HK Dollars and Renminbi.

The table below sets forth our major categories of sales for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Hotel room amenity products and accessories	274,511	78.3	389,922	76.8	508,584	74.0	241,317	77.0	294,450	76.8
Airline amenity products	35,536	10.1	74,559	14.7	101,198	14.7	40,225	12.9	55,015	14.4
Others ¹	40,670	11.6	42,906	8.5	77,624	11.3	31,744	10.1	33,742	8.8
Total	<u>350,717</u>	<u>100.0</u>	<u>507,387</u>	<u>100.0</u>	<u>687,406</u>	<u>100.0</u>	<u>313,286</u>	<u>100.0</u>	<u>383,207</u>	<u>100.0</u>

Note 1: Others mainly include plastic covers for hospital surgical equipment which accounted for approximately 4.7%, 2.0%, 3.9% and 3.2% of our revenue for the three years ended 31 December 2006 and the six months ended 30 June 2007 respectively and customised gift sets for retail businesses which accounted for approximately 3.0%, 2.8%, 4.5% and 2.1% of our revenue for the three years ended 31 December 2006 and the six months ended 30 June 2007 respectively.

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The table below sets forth our gross margins by products for the periods indicated:

	Year ended 31 December									Six months ended 30 June					
	2004			2005			2006			2006			2007		
	Revenue	Cost of sales	Gross margin	Revenue	Cost of sales	Gross margin	Revenue	Cost of sales	Gross margin	Revenue	Cost of sales	Gross margin	Revenue	Cost of sales	Gross margin
(HK\$'000)	(HK\$'000)	(%)	(HK\$'000)	(HK\$'000)	(%)	(HK\$'000)	(HK\$'000)	(%)	(HK\$'000)	(HK\$'000)	(%)	(HK\$'000)	(HK\$'000)	(%)	
Bath soaps	34,982	23,740	32.1	55,694	37,948	31.9	80,421	53,244	33.8	39,473	26,065	34.0	44,410	29,124	34.4
Chemical-base products	71,739	44,812	37.5	121,276	77,817	35.8	201,537	128,048	36.5	89,076	56,197	36.9	130,803	79,551	39.2
Packaging products	107,058	80,980	24.4	157,332	123,596	21.4	168,085	134,266	20.1	71,812	57,099	20.5	84,682	65,748	22.4
Purchased semi-finished accessories and components, and finished products	31,952	23,616	26.1	43,938	34,701	21.0	62,323	49,443	20.7	29,278	23,165	20.9	33,871	26,120	22.9
Plastic products	91,008	63,396	30.3	107,826	78,744	27.0	159,776	113,858	28.7	75,550	54,116	28.4	77,134	54,912	28.8
Others ²	13,978	11,615	16.9	21,321	18,365	13.9	15,264	13,241	13.3	8,097	7,080	12.6	12,307	10,019	18.6
Total	350,717	248,159	29.2	507,387	371,171	26.8	687,406	492,100	28.4	313,286	223,722	28.6	383,207	265,474	30.7

Note 2: Others mainly include stationery, towels, kitchen utensils, tissue paper, pillow cases, gloves, gift sets, luggage accessories and other miscellaneous items.

Our gross margins by products can be primarily divided into gross margins of bath soaps, chemical-base products, packaging products, purchased semi-finished accessories and components, and finished products and plastic products.

Total gross margins have shown a general downward trend during the three years ended 31 December 2006 and an upward trend during the six months ended 30 June 2007. The decrease in total gross margins during the three years ended 31 December 2006 is analysed more fully by product categories in the following paragraphs – “*Bath soaps and chemical-base products*”, “*Packaging products*”, “*Purchased semi-finished accessories and components, and finished products*” and “*Plastic products*”. The increase in total gross margins from 28.4% to 30.7% and the increase in gross margins by individual products categories, from the year ended 31 December 2006 to the six months ended 30 June 2007, respectively, was mainly due to increase in sales orders and improvement in production efficiency.

Bath soaps and chemical-base products

The gross margins of bath soaps and chemical-base products were stable during the three years ended 31 December 2006.

Packaging products

The gross margin of packaging products decreased during the three years ended 31 December 2006 was primarily due to (i) decrease in gross margins of customised traveling kits as a result of increase in costs to process additional orders of these customised products; and (ii) increase in average unit costs of paper. During the three years ended 31 December 2006, the average unit costs of paper were approximately HK\$6.6/kg in 2004, HK\$6.7/kg in 2005 and HK\$6.8/kg in 2006.

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Purchased semi-finished accessories and components, and finished products

The gross margin of purchased semi-finished accessories and components, and finished products from third parties suppliers decreased during the three years ended 31 December 2006 was primarily due to increase in average unit purchase prices of these products.

Plastic products

The gross margin of plastic products decreased from 30.3% in 2004 to 27.0% in 2005 and increased to 28.7% in 2006 was primarily due to the fluctuation in average unit costs of plastic materials. During the three years ended 31 December 2006, the average unit costs of plastic materials were approximately HK\$9.4/kg in 2004, HK\$12.5/kg in 2005 and HK\$10.7/kg in 2006.

Cost of sales

The key components of our cost of sales are raw material costs, labor costs and production costs, including depreciation.

Other income

Other income mainly comprises sales of scrap materials and interest income.

Distribution costs

Distribution costs consist principally of staff costs, freight, declaration and customs charges, cargo insurance, depreciation, advertising, marketing and promotion related expenses.

Administrative expenses

Administrative expenses consist mainly of salary and other staff expenditures, professional services fees, traveling, depreciation of office equipment, entertainment expenses, bank charges and utility expenses.

Finance costs

Finance costs consist mainly of interest expense from bank loans and overdrafts.

Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the three years ended 31 December 2006 and the six months ended 30 June 2007.

Our PRC group companies are subject to PRC income tax on an individual basis. The normal statutory PRC foreign invested enterprise income tax rate and local income tax rate are 30% and 3% respectively, of the assessable income as determined in accordance with the

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relevant PRC income tax rules and regulations. However, PRC national and local tax laws provide for various types of preferential tax treatment applicable to different enterprises. For example, foreign invested manufacturing enterprises with an operating term of more than 10 years are exempt from PRC national foreign invested enterprise income tax for two years starting from the first year they make assessable profits and are granted a 50% reduction in tax for three years thereafter.

Ming Fai Shenzhen is entitled to various levels of preferential tax treatment as follows.

<u>Name of Preferential Tax Treatment</u>	<u>For the Year Starting</u>
● Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	1995
● Preferential tax rate of 15% according to the Foreign Enterprises Income Tax Law	1992
● Preferential tax rate of 10% according to the Implementation Rules of the Foreign Enterprises Income Tax Law	If export sales exceed 70% of revenue

For the years ended 31 December 2004, 2005, 2006 and six months ended 30 June 2007, the applicable enterprise income tax rate of Ming Fai Shenzhen was 15%, 10%, 10% and 10%, respectively.

The applicable enterprise income tax rate for Luoding Quality Amenities is 33%. Luoding Quality Amenities is not entitled to any preferential tax treatments for the time being. Subject to obtaining the approval from the relevant tax bureau, Luoding Quality Amenities is eligible for enterprise income tax exemption for two years followed by a 50% reduction in enterprise income tax rate in the next three years. Luoding Quality Amenities was in a net loss position for the year ended 31 December 2006 and the six months ended 30 June 2007.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law increases the corporate income tax rate for foreign invested enterprises from 15% to 25% with effect from 1 January 2008. As a result of the new CIT Law, the carrying value of deferred tax assets has been written up by approximately HK\$1,910,000 during the six months ended 30 June 2007.

Corporate tax in Singapore has been provided at the rate of 20% on the estimated assessable profit for the year ended 31 December 2006 and the six months ended 30 June 2007. No provision on corporate tax for the years ended 31 December 2004 and 2005 due to the tax exemption allowed by tax authority on initial taxable profits of SG\$100,000.

We will continue to structure our existing and new group companies to take advantage of any available preferential tax treatment. However, termination or revision of the various types of preferential tax treatment that our Group currently enjoy will have a negative impact on our results of operations and financial condition.

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Our Controlling Shareholders have agreed to indemnify the Group for, among other things, any other tax liability which is or may be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional, subject to certain exceptions. For further details in this respect, please see “Estate duty, tax and other indemnities” in Appendix VI to this prospectus.

Six months ended 30 June 2007 compared with six months ended 30 June 2006

Revenue

For the six months ended 30 June 2007, the Group’s revenue was approximately HK\$383.2 million, representing an increase of approximately HK\$69.9 million, or 22.3%, from approximately HK\$313.3 million for the six months ended 30 June 2006. This growth was principally the result of increase in sales orders from our existing customers for hotel room amenity products and accessories by approximately HK\$53.1 million, airline amenity products by approximately HK\$14.8 million and other products by approximately HK\$2.0 million. The increase in hotel room amenity products and accessories of approximately HK\$53.1 million was mainly due to increased demand in our one-stop comprehensive quality product portfolio from our existing top five customers.

For the six months ended 30 June 2007, we recorded a provisioning for sales returns of approximately HK\$2.3 million related to the toothpaste incident as described in section headed “Business – Toothpaste DEG Issues”.

Cost of sales

For the six months ended 30 June 2007, cost of sales was approximately HK\$265.5 million, representing an increase of approximately HK\$41.8 million, or 18.7%, from approximately HK\$223.7 million for the six months ended 30 June 2006, principally due to our increase in cost of raw materials by approximately HK\$39.8 million, utilities by approximately HK\$0.2 million, depreciation by approximately HK\$0.3 million and our recording of provision for obsolete inventories of approximately HK\$1.6 million for the six months ended 30 June 2007. Improvement in operating efficiency led to a decrease in cost of sales from 71.4% of revenue for the six months ended 30 June 2006 to 69.3% of revenue for the six months ended 30 June 2007. Our gross profit was approximately HK\$117.7 million for the six months ended 30 June 2007, representing an increase of approximately HK\$28.1 million, or 31.4%, from approximately HK\$89.6 million for the six months ended 30 June 2006.

Distribution costs

For the six months ended 30 June 2007, distribution costs were approximately HK\$25.7 million, representing an increase of approximately HK\$4.7 million, or 22.4%, from approximately HK\$21.0 million for the six months ended 30 June 2006. The increase was mainly due to increase in delivery costs by approximately HK\$2.3 million and staff costs by

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approximately HK\$0.3 million as a result of increase in revenue and our recording of toothpaste recall expenses as described in section headed “Business – Toothpaste DEG Issues” of approximately HK\$1.6 million during the six months ended 30 June 2007.

Administrative expenses

For the six months ended 30 June 2007, administrative expenses were approximately HK\$20.6 million, representing an increase of approximately HK\$4.7 million or 29.6%, from approximately HK\$15.9 million for the six months ended 30 June 2006. The increase was mainly due to increase in staff costs by approximately HK\$2.7 million and exchange differences by approximately HK\$0.9 million.

Other income

For the six months ended 30 June 2007, our other income was approximately HK\$1.0 million, representing an increase of approximately HK\$0.2 million, or 25.0%, from approximately HK\$0.8 million for the six months ended 30 June 2006. This increase was principally due to increase in sales of scrap materials and interest income by approximately HK\$0.1 million each.

Operating profit

For the six months ended 30 June 2007, our operating profit was approximately HK\$72.4 million, representing an increase of approximately HK\$19.0 million, or 35.6%, from approximately HK\$53.4 million for the six months ended 30 June 2006. This increase was mainly attributable to increase in sales orders of our hotel room amenity products and accessories, airline products and stringent cost control.

Finance costs

For the six months ended 30 June 2007, finance costs were approximately HK\$0.2 million, representing a decrease of approximately HK\$1.0 million or 83.3%, from approximately HK\$1.2 million for the six months ended 30 June 2006. The decrease mainly reflected decreased level of borrowings during the six months ended 30 June 2007.

Share of profit of an associated company

For the six months ended 30 June 2007, we recorded our share of profit of an associated company in the amount of approximately HK\$40,000 representing an increase of approximately HK\$36,000 from approximately HK\$4,000 for the six months ended 30 June 2006, from our 50% interest in QAS Malaysia acquired during March 2006.

Profit before income tax

For the six months ended 30 June 2007, our profit before income tax was approximately HK\$72.2 million, representing an increase of approximately HK\$20.0 million, or 38.3%, from approximately HK\$52.2 million for the six months ended 30 June 2006.

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Income tax expenses

For the six months ended 30 June 2007, our income tax expenses were approximately HK\$12.5 million, representing an increase of approximately HK\$2.9 million, or 30.2%, from approximately HK\$9.6 million for the six months ended 30 June 2006. The effective tax rate decreased to 17.3% for the six months ended 30 June 2007 from 18.5% in the six months ended 30 June 2006. The lower effective tax rate for the six months ended 30 June 2007 was mainly due to the decrease in the profitability of the Group's subsidiaries in Hong Kong, which were subjected to a higher effective tax rate, and an increase in the profitability of the Group's subsidiaries in the PRC which were subjected to lower effective tax rate. Included in the reconciliation of income tax expenses from profit before income tax were expenses not deductible for tax purposes, which mainly represented depreciation for certain machinery bought in Hong Kong and China and provisions made in relation to the social welfare contributions. Please see note 27 of the Accountant's Report set out in Appendix I to this prospectus.

Profit for the period attributable to equity holders of the Company

For the six months ended 30 June 2007, our profit for the period attributable to equity holders of the Company was approximately HK\$59.7 million, representing an increase of approximately HK\$17.1 million, or 40.1%, from approximately HK\$42.6 million for the six months ended 30 June 2006.

Year ended 31 December 2006 compared with year ended 31 December 2005

Revenue

For the year ended 31 December 2006, the Group's revenue was approximately HK\$687.4 million, representing an increase of approximately HK\$180.0 million, or 35.5%, from approximately HK\$507.4 million for the year ended 31 December 2005. This growth was principally the result of increase in sales orders from our existing customers for hotel room amenity products and accessories by approximately HK\$118.7 million, airline amenity products by approximately HK\$26.6 million and other products by approximately HK\$34.7 million. The increase in hotel room amenity products and accessories of approximately HK\$118.7 million was mainly due to increased demand in our one-stop comprehensive quality product portfolio, in which approximately HK\$79.4 million and approximately HK\$11.6 million were derived from our existing top five customers and new customers, respectively.

Cost of sales

For the year ended 31 December 2006, cost of sales was approximately HK\$492.1 million, representing an increase of approximately HK\$120.9 million, or 32.6%, from approximately HK\$371.2 million for the year ended 31 December 2005, principally due to our increase in cost of raw materials by approximately HK\$88.9 million, cost of labor by approximately HK\$19.4 million, utilities by approximately HK\$1.5 million, depreciation by approximately HK\$4.1 million, and repair and maintenance by approximately HK\$2.5 million and our recording of provision for obsolete inventories of approximately HK\$3.0

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million for the year ended 31 December 2006. Improvement in operating efficiency led to a decrease in cost of sales from 73.2% of revenue for the year ended 31 December 2005 to 71.6% of revenue for the year ended 31 December 2006. Our gross profit was approximately HK\$195.3 million for the year ended 31 December 2006, representing an increase of approximately HK\$59.1 million, or 43.4%, from approximately HK\$136.2 million for the year ended 31 December 2005.

Distribution costs

For the year ended 31 December 2006, distribution costs were approximately HK\$44.1 million, representing an increase of approximately HK\$8.8 million, or 24.9%, from approximately HK\$35.3 million for the year ended 31 December 2005. The increase was mainly due to increase in delivery costs by approximately HK\$5.1 million, advertising, marketing and promotion related expense by approximately HK\$1.3 million, staff costs by approximately HK\$0.9 million and postage costs by approximately HK\$0.2 million, as a result of increase in revenue by 35.5% in 2006.

Administrative expenses

For the year ended 31 December 2006, administrative expenses were approximately HK\$40.1 million, representing an increase of approximately HK\$8.0 million or 24.9%, from approximately HK\$32.1 million for the year ended 31 December 2005. The increase was mainly due to increase in staff costs by approximately HK\$2.5 million, exchange differences by approximately HK\$2.8 million, trade receivables provision by approximately HK\$0.6 million and consultancy fee by approximately HK\$0.4 million.

Other income

For the year ended 31 December 2006, other income was approximately HK\$1.6 million, representing an increase of approximately HK\$1.0 million, or 166.7%, from approximately HK\$0.6 million for the year ended 31 December 2005. This increase principally was due to increase in sales of scrap materials by approximately HK\$0.6 million and interest income by approximately HK\$0.4 million.

Operating profit

For the year ended 31 December 2006, operating profit was approximately HK\$112.8 million, representing an increase of approximately HK\$43.3 million, or 62.3%, from approximately HK\$69.5 million for the year ended in 31 December 2005. This increase was mainly attributable to increase in sales orders of our hotel room amenity products and accessories, airline products and stringent cost control.

Finance costs

For the year ended 31 December 2006, finance costs were approximately HK\$1.8 million, representing an increase of approximately HK\$0.8 million or 80.0%, from approximately HK\$1.0 million for the year ended 31 December 2005. The increase reflected the increase in bank borrowings from September to December 2005 of approximately HK\$30

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million. Borrowings as at 31 December 2006 were approximately HK\$8.0 million as compared to approximately HK\$34.3 million as at 31 December 2005. The decrease in balance reflected the significant repayments of our bank borrowings during 2006 as a result of significant improvement in operating cash flow in 2006.

Share of profit of an associated company

For the year ended 31 December 2006, we recorded our share of profit of an associated company in the amount of approximately HK\$12,000 from our 50% interest in QAS Malaysia which was acquired in March 2006.

Profit before income tax

For the year ended 31 December 2006, our profit before income tax was approximately HK\$111.1 million, representing an increase of approximately HK\$42.6 million, or 62.2%, from approximately HK\$68.5 million for the year ended 31 December 2005.

Income tax expenses

For the year ended 31 December 2006, our income tax expenses were approximately HK\$18.7 million, representing an increase of approximately HK\$5.2 million, or 38.5%, from approximately HK\$13.5 million for the year ended 31 December 2005. The effective tax rate decreased to 16.8% for the year ended 31 December 2006 from 19.7% in the year ended 31 December 2005. The lower effective tax rate for the year ended 31 December 2006 was mainly due to the decrease in the profitability of the Group's subsidiaries in Hong Kong, which were subjected to a higher effective tax rate, and an increase in the profitability of the Group's subsidiaries in the PRC which were subjected to lower effective tax rate. Included in the reconciliation of income tax expenses from profit before income tax were expenses not deductible for tax purposes, which mainly represented depreciation for certain machinery bought in Hong Kong and China and provisions made in relation to the social welfare contributions. Please see note 27 of the Accountant's Report set out in Appendix I to this prospectus.

Profit for the year attributable to equity holders of the Company

For the year ended 31 December 2006, our profit for the year attributable to equity holders of the Company was approximately HK\$92.4 million, representing an increase of approximately HK\$37.4 million, or 68.0%, from approximately HK\$55.0 million for the year ended 31 December 2005.

Year ended 31 December 2005 compared with year ended 31 December 2004

Revenue

For the year ended 31 December 2005, the Group's revenue was approximately HK\$507.4 million, representing an increase of approximately HK\$156.7 million, or 44.7%, from approximately HK\$350.7 million for the year ended 31 December 2004. This growth was principally the result of increase in sales orders from our existing customers for hotel

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room amenity products and accessories by approximately HK\$115.4 million, airline amenity products by approximately HK\$39.0 million and other products by approximately HK\$2.2 million. The increase in hotel room amenity products and accessories of approximately HK\$115.4 million was mainly due to increased demand in our one-stop comprehensive quality product portfolio, in which approximately HK\$44.4 million and approximately HK\$18.6 million were derived from our existing top five customers and new customers, respectively.

Cost of sales

For the year ended 31 December 2005, cost of sales was approximately HK\$371.2 million, representing an increase of approximately HK\$123.0 million, or 49.6%, from approximately HK\$248.2 million for the year ended 31 December 2004, principally due to our increase in cost of raw materials by approximately HK\$98.6 million, cost of labor by approximately HK\$13.5 million, freight related cost by approximately HK\$1.6 million and utilities by approximately HK\$1.9 million. Our gross profit was approximately HK\$136.2 million for the year ended 31 December 2005, representing an increase of approximately HK\$33.6 million, or 32.7%, from approximately HK\$102.6 million for the year ended 31 December 2004.

Distribution costs

For the year ended 31 December 2005, distribution costs were approximately HK\$35.3 million, representing an increase of approximately HK\$2.9 million, or 9.0%, from approximately HK\$32.4 million for the year ended 31 December 2004. The increase was mainly due to increase in delivery costs by approximately HK\$1.2 million, advertising, marketing and promotion related expense by approximately HK\$1.4 million and postage costs by approximately HK\$0.3 million as a result of increase in revenue by 44.7% in 2005.

Administrative expenses

For the year ended 31 December 2005, administrative expenses were approximately HK\$32.1 million, representing a decrease of approximately HK\$0.4 million or 1.2%, from approximately HK\$32.5 million for the year ended 31 December 2004. Despite the increase in sales orders, the Group was able to maintain stringent control over administrative expenses.

Other income

For the year ended 31 December 2005, our other income was approximately HK\$0.6 million, representing an increase of approximately HK\$0.4 million, or 200.0%, from approximately HK\$0.2 million for the year ended 31 December 2004. This increase principally was due to increase in sales of scrap materials by approximately HK\$0.1 million and interest income by approximately HK\$0.3 million.

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Operating profit

For the year ended 31 December 2005, our operating profit was approximately HK\$69.5 million, representing an increase of approximately HK\$31.7 million, or 83.9%, from approximately HK\$37.8 million for the year ended in 31 December 2004. This increase was mainly attributable to increase in sales orders of our hotel room amenity products and accessories, airline products and stringent costs control.

Finance costs

For the year ended 31 December 2005, finance costs were approximately HK\$1.0 million, representing a decrease of approximately HK\$0.8 million or 44.4%, from approximately HK\$1.8 million for the year ended 31 December 2004. The decrease reflected the repayment of short term bank borrowings of approximately HK\$8.0 million and trust receipt loans of approximately HK\$6.0 million in early 2005. Borrowings as at 31 December 2005 were approximately HK\$34.3 million compared to approximately HK\$20.7 million as at 31 December 2004. The increase in balance was mainly due to increase in bank borrowings of approximately HK\$30.0 million during September to December 2005.

Profit before income tax

For the year ended 31 December 2005, our profit before income tax was approximately HK\$68.5 million, representing an increase of approximately HK\$32.5 million, or 90.3%, from approximately HK\$36.0 million for the year ended 31 December 2004.

Income tax expenses

For the year ended 31 December 2005, our income tax expenses were approximately HK\$13.5 million, representing an increase of approximately HK\$4.0 million, or 42.1%, from approximately HK\$9.5 million for the year ended 31 December 2004. The effective tax rate decreased to 19.7% for the year ended 31 December 2005 from 26.5% in the year ended 31 December 2004. The lower effective tax rate for the year ended 31 December 2005 was mainly due to the decrease in the profitability of the Group's subsidiaries in Hong Kong, which were subjected to a higher effective tax rate and an increase in the profitability of the Group's subsidiary in the PRC which were subjected to lower effective tax rate. Included in the reconciliation of income tax expenses from profit before income tax were expenses not deductible for tax purposes, which mainly represented depreciation for certain machinery bought in Hong Kong and China and provisions made in relation to the social welfare contributions. Please see note 27 of the Accountant's Report set out in Appendix I to this prospectus.

Profit for the year attributable to equity holders of the Company

For the year ended 31 December 2005, our profit for the year attributable to equity holders of the Company was approximately HK\$55.0 million, representing an increase of approximately HK\$28.5 million, or 107.5%, from approximately HK\$26.5 million for the year ended 31 December 2004.

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Gross margin

Gross profit margin was 30.7% for the six months ended 30 June 2007 compared with 28.6% for the six months ended 30 June 2006, and 28.4% for the year ended 31 December 2006 compared with 26.8% for the year ended 31 December 2005 and 29.2% for the year ended 31 December 2004. The improvement of 2.1% in the six months ended 30 June 2007 as compared with the six months ended 30 June 2006 and the improvement of 1.6% in the year ended 31 December 2006 as compared with 31 December 2005 was mainly due to increase in sales orders and improvement in production efficiency. The decrease of 2.4% in the year ended 31 December 2005 as compared with 31 December 2004, despite the increase in sales orders, was mainly due to increase in raw material prices, for example, plastic materials. For the three years ended 31 December 2006, the Group purchased plastic materials amounted to approximately HK\$25.4 million in 2004, approximately HK\$34.1 million in 2005 and approximately HK\$42.7 million in 2006, which represented average unit price of approximately HK\$9.4/kg, HK\$12.5/kg and HK\$10.7/kg, respectively, thus affecting the gross profit margin of the Group in 2005. Please see “Risk Factors – Increase in raw material prices that we are not able to pass on to our customers would reduce our profit margins”.

Operating margin

Operating margin was 18.9% for the six months ended 30 June 2007 compared to 17.1% for the six months ended 30 June 2006, 16.4% in the year ended 31 December 2006 compared to 13.7% in the year ended 31 December 2005 and 10.8% in the year ended 31 December 2004 respectively. The increase of operating margin in the six months ended 30 June 2007 as compared with 30 June 2006 and the continuous increase of operating margin for the three years ended 31 December 2006 was mainly due to stringent cost control in distribution costs and administrative expenses and continuous improvement in operating efficiency since the commencement of Pinghu Production Base in 2003, whilst benefiting from relatively greater increase in gross profits.

Net profit margin

Net profit margin was 15.6% for the six months ended 30 June 2007 compared to 13.6% for the six months ended 30 June 2006 and 13.4% for the year ended 31 December 2006, compared to 10.8% for the year ended 31 December 2005 and 7.5% for the year ended 31 December 2004 respectively. This increase of net profit margin in the six months ended 30 June 2007 as compared with 30 June 2006 and the continuous increase of net profit margin for the three years ended 31 December 2006 was mainly due to (i) stringent control in bank borrowings, thus incurring less finance costs, (ii) continuous decrease of effective tax rates due to a change in the profitability of the Group’s subsidiaries in the respective countries, (iii) whilst benefiting from relatively greater increase in operating profits.

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Sales by geographical locations

The Group's sales by geographical locations are determined by the country in which the customer is located. The table below shows our revenue and percentage of revenue by geographical location.

	Year ended 31 December						Six months ended 30 June			
	2004		2005		2006		2006		2007	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
	<i>(unaudited)</i>									
North America	156,122	44.5	210,657	41.5	263,897	38.4	114,021	36.4	146,937	38.3
Europe	71,186	20.3	95,898	18.9	170,794	24.8	81,743	26.1	84,997	22.2
PRC	50,178	14.3	66,441	13.1	90,310	13.1	38,970	12.4	53,186	13.9
Hong Kong	46,244	13.2	76,308	15.1	75,327	11.0	35,646	11.4	54,654	14.3
Other Asia Pacific countries ¹	22,216	6.3	51,859	10.2	71,815	10.5	35,764	11.4	35,845	9.3
Others ²	4,771	1.4	6,224	1.2	15,263	2.2	7,142	2.3	7,588	2.0
	<u>350,717</u>	<u>100.0</u>	<u>507,387</u>	<u>100.0</u>	<u>687,406</u>	<u>100.0</u>	<u>313,286</u>	<u>100.0</u>	<u>383,207</u>	<u>100.0</u>

Notes:

- Other Asia Pacific countries mainly include Japan, United Arab Emirates, Thailand, Philippines, Malaysia and Singapore.
- Others mainly include South Africa, Egypt, Morocco and Nigeria.

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LIQUIDITY AND CAPITAL RESOURCES

Financial resources

During the Track Record Period, we funded our growth principally from equity and shareholders' funding as well as net cash generated from our operations and bank borrowings. Our Directors confirm that we did not experience any liquidity problems during the Track Period Record.

As at 30 June 2007, we had total cash and cash equivalents of approximately HK\$46.4 million, including approximately HK\$8.2 million, the equivalent of approximately HK\$23.1 million in US currency and the equivalent of approximately HK\$10.6 million in Renminbi and other currencies amounting to an equivalent of approximately HK\$4.5 million. The bank and cash balances are required to finance our working capital and part of our capital expenditure plans in light of our continuing high growth and expansion plan.

As at 30 June 2007, we had a total of approximately HK\$54.9 million in borrowing facilities entered into with banks, of which nil was utilised. As at 31 August 2007, we had a total availability of approximately HK\$55.1 million in borrowing facilities, of which approximately HK\$23.9 million was utilised.

We believe that the proceeds of the Share Offer, together with our current cash and cash equivalents, our lines of credit and net cash provided by operating activities will be sufficient to meet our material commitments and anticipated cash needs for working capital, capital expenditures, business expansion, investments and debt repayment for at least the next 12 months. Thereafter, we plan to finance our operations with net cash generated from our operations and, if required, additional debt or equity financing. We can give no assurance that we will be able to raise additional capital on terms acceptable to us or at all. Please see "Risk Factors – We may be unable to sustain or manage our future growth". The sale of additional equity or equity-linked securities may result in dilution to our shareholders. From time to time, we evaluate possible investments, acquisitions, divestments or mergers and may, if a suitable opportunity arises, make an investment, acquisition or divestment or enter into a merger.

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Net current assets

Details of the current assets and liabilities of the Group as at 31 August 2007 are as follows:

	As at 31 August 2007
	<i>(HK\$'000)</i>
	<i>(Unaudited)</i>
	<hr/>
Current assets	
Inventories	60,298
Trade and bills receivables	175,765
Amount due from an associated company	392
Deposits, prepayments and other receivables	27,997
Restricted cash	11,027
Cash and cash equivalents	<hr/> 49,626
	<hr/> 325,105
Current liabilities	
Trade and bills payables	94,570
Accruals and other payables	59,871
Current income tax liabilities	24,167
Borrowings	<hr/> 27,573
	<hr/> 206,181
	<hr/> <hr/> 118,924

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Cash flow

We conduct all of our operations through our operating subsidiaries and an associated company which we do not wholly own. We may not be able in all circumstances to allocate our free cash flow as we would like from our associated company. In addition, the cash flows generated by our significant operating subsidiaries on a stand-alone basis may differ significantly from that represented by our combined cash flow data. The following table presents selected cash flow data from the Company's combined cash flow statements for the periods set forth below, respectively:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net cash generated from operating activities	37,655	50,871	81,185	18,628	56,784
Net cash used in investing activities	(15,645)	(22,976)	(22,976)	(8,447)	(13,397)
Net cash (used in)/ generated from financing activities	(6,205)	(29,295)	(26,625)	1,275	(41,882)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	15,805	(1,400)	31,584	11,456	1,505

Cash flow for the six months ended 30 June 2007

Net cash generated from operating activities for the six months ended 30 June 2007 was approximately HK\$56.8 million, while operating cash flows before changes in working capital were approximately HK\$82.9 million. The difference of approximately HK\$26.1 million was primarily due to (i) an increase of approximately HK\$7.0 million in inventories and an increase of approximately HK\$9.5 million in trade and bills receivables, as a result of increase in revenue; (ii) an increase of approximately HK\$9.7 million in deposits, prepayments and other receivables, mainly as a result of prepayment for professional fees related to the Listing of approximately HK\$7.3 million; (iii) repayment of amounts due to related parties of approximately HK\$5.2 million; and (iv) payment of Hong Kong profits tax and overseas tax of approximately HK\$12.8 million, which were partially offset by a decrease of approximately HK\$5.1 million in restricted cash, and an increase of approximately HK\$13.7 million in accruals and other payables mainly due to additional provisions for social welfare contributions, customer advances and commission, sales returns and toothpaste recall expenses as described in section headed "Business – Toothpaste DEG Issues" by approximately HK\$7.1 million, HK\$2.2 million and HK\$3.9 million respectively.

Net cash used in investing activities for the six months ended 30 June 2007 was approximately HK\$13.4 million. The cash outflows related primarily to the purchases of (i) property, plant and equipment in the amount of approximately HK\$10.9 million, which

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included the purchases of plant and machinery, the construction of production facilities for increased capacity and others, and (ii) leasehold land and land use rights in the amount of approximately HK\$3.0 million.

Net cash used in financing activities for the six months ended 30 June 2007 was approximately HK\$41.9 million. The cash used was primarily for the payment of dividends in the amount of approximately HK\$24.0 million and the repayment of loans from related parties and bank borrowings in the amount approximately HK\$17.3 million and approximately HK\$11.6 million respectively, which was partly offset by new loans from shareholders of approximately HK\$2.3 million and new bank borrowings of approximately HK\$8.8 million.

Cash flow for the year ended 31 December 2006

Net cash generated from operating activities for the year ended 31 December 2006 was approximately HK\$81.2 million, while operating cash flows before changes in working capital were approximately HK\$134.7 million. The difference of approximately HK\$53.5 million was primarily due to (i) an increase of approximately HK\$15.0 million in inventories and an increase of approximately HK\$58.4 million in trade and bills receivables, as a result of increase in revenue; (ii) an increase of approximately HK\$5.3 million in deposits, prepayments and other receivables, mainly as a result of prepayment for purchase of land use rights over a piece of land in Luoding of approximately HK\$3.7 million; and (iii) payment of Hong Kong profits tax and overseas tax of approximately HK\$8.8 million, which were partially offset by an increase of approximately HK\$18.5 million in trade creditors and bills payables, mainly as a result of increase in purchases, and an increase of approximately HK\$15.8 million in accruals and other payables.

Net cash used in investing activities for the year ended 31 December 2006 was approximately HK\$23.0 million. The cash outflows related primarily to the purchases of (i) property, plant and equipment in the amount of approximately HK\$20.0 million, which included the purchases of plant and machinery, the construction of production facilities for increased capacity and others, and (ii) leasehold land and land use rights in the amount of approximately HK\$3.8 million.

Net cash used in financing activities for the year ended 31 December 2006 was approximately HK\$26.6 million. The cash used was primarily for a payment of dividends in the amount of approximately HK\$25.0 million and the repayment of bank borrowings in the amount approximately HK\$50.0 million, which was partly offset by proceeds received from capital injections of approximately HK\$5.0 million, new loans from shareholders of approximately HK\$13.2 million and new bank borrowings of approximately HK\$29.5 million.

Cash flow for the year ended 31 December 2005

Net cash generated from operating activities for the year ended 31 December 2005 was approximately HK\$50.9 million, while operating cash flows before changes in working capital were approximately HK\$81.6 million. The difference of approximately HK\$30.7 million was primarily due to (i) an increase of approximately HK\$7.8 million in inventories

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and an increase of approximately HK\$33.0 million in trade and bills receivables, as a result of increase in revenue; and (ii) payment of Hong Kong profits tax and overseas tax of approximately HK\$16.6 million, which were partially offset by an increase of approximately HK\$19.1 million in trade and bills payables, mainly as a result of increase in purchases, and an increase of approximately HK\$10.1 million in accruals and other payables.

Net cash used in investing activities for the year ended 31 December 2005 was approximately HK\$23.0 million. The cash outflows related primarily to the purchases of property, plant and equipment in the amount of approximately HK\$22.8 million, which included the purchases of plant and machinery, the construction of production facilities for increased capacity and others.

Net cash used in financing activities for the year ended 31 December 2005 was approximately HK\$29.3 million. The cash used was primarily for the repayment of loans from related parties and bank borrowings in the amounts of approximately HK\$15.3 million and approximately HK\$44.1 million respectively and a payment of dividend in the amount of approximately HK\$55.0 million, which were partly offset by proceeds received from capital injections and loans from shareholders in the amounts of approximately HK\$25.0 million and approximately HK\$8.1 million respectively, and new bank borrowings in the amount of approximately HK\$52.0 million.

Cash flow for the year ended 31 December 2004

Net cash generated from operating activities for the year ended 31 December 2004 was approximately HK\$37.7 million, while operating cash flows before changes in working capital were approximately HK\$52.4 million. The difference of approximately HK\$14.7 million was primarily due to (i) an increase of approximately HK\$12.5 million in inventories and an increase of approximately HK\$12.9 million in trade and bills receivables, as a result of increase in revenue; (ii) an increase of approximately HK\$2.8 million in deposits, prepayments and other receivables and payment of Hong Kong profits tax and overseas tax of approximately HK\$5.2 million which was partially offset by an increase of approximately HK\$13.5 million in trade creditors and bills payables, mainly as a result of increase in purchases, and an increase of approximately HK\$6.4 million in accruals and other payables.

Net cash used in investing activities for the year ended 31 December 2004 was approximately HK\$15.6 million. The cash outflows related primarily to the purchases of (i) property, plant and equipment in the amount of approximately HK\$15.2 million, which included the purchases of plant and machinery, the construction of production facilities for increased capacity and others, and (ii) leasehold land and land use rights in the amount of approximately HK\$0.5 million.

Net cash used in financing activities for the year ended 31 December 2004 was HK\$6.2 million. The cash used was primarily for the repayment of loans from related parties and bank borrowings in the amounts of approximately HK\$18.9 million and approximately HK\$42.3 million respectively and a payment of dividend in the amount of approximately HK\$3.0 million, which were partly offset by proceeds received from capital injections in the

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amount of approximately HK\$10.0 million, new loans from shareholders in the amount of approximately HK\$8.8 million and new bank borrowings in the amount of approximately HK\$39.2 million.

Current Assets, Current Liabilities and Net Current (Liabilities)/Assets

The table below sets out our current assets, current liabilities and net current (liabilities)/assets at the balance sheet dates indicated:

	As at 31 December			As at
	2004	2005	2006	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Current assets				
Inventories	34,372	43,825	55,829	61,243
Trade and bills receivables	69,616	101,774	158,636	167,298
Amount due from an associated company	–	–	484	341
Deposits, prepayments and other receivables	4,434	6,404	11,597	21,265
Restricted cash	17,169	17,469	16,095	10,963
Cash and cash equivalents	10,833	15,504	42,869	46,388
	<u>136,424</u>	<u>184,976</u>	<u>285,510</u>	<u>307,498</u>
Current liabilities				
Trade and bills payables	44,346	63,426	81,909	81,299
Accruals and other payables	16,696	26,835	42,614	56,273
Amount due to shareholders	10,847	19,185	32,686	35,210
Amount due to related parties	19,920	31,292	34,994	14,746
Current income tax liabilities	8,527	5,568	16,474	17,941
Borrowings	20,486	29,299	8,022	5,170
Dividends payable	20,000	–	24,000	–
	<u>140,822</u>	<u>175,605</u>	<u>240,699</u>	<u>210,639</u>
Net current (liabilities)/assets	<u>(4,398)¹</u>	<u>9,371</u>	<u>44,811</u>	<u>96,859</u>

Note:

- The net current liabilities were mainly due to financing by short-term bank loans, current portion of long-term bank loans, shareholders and related parties of approximately HK\$10.1 million, HK\$10.4 million, HK\$10.8 million and HK\$19.9 million respectively as at 31 December 2004 for the establishment of new factory in Pinghu. The Group started the migration of its production to Pinghu Production Base in 2003, therefore required additional financing for settlement of land purchase and construction costs as well as new equipment purchases in 2004. Furthermore, the Group has declared dividend for the year ended 31 December 2004.

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Inventories, Trade and Bills Receivables, Deposits, Prepayments and Other Receivables, Trade and Bills Payables, and Accruals and Other Payables

The following table sets forth certain financial ratios for the periods indicated:

	As at 31 December			As at
	2004	2005	2006	30 June 2007
Average inventory days ¹	46.5	41.1	39.5	44.2
Average trade and bills receivable days ²	66.5	62.4	70.3	79.2
Average trade and bills payable days ³	55.3	53.0	53.9	56.1

Notes:

1. Calculated as the average of the beginning and ending inventory balances for the period, divided by the cost of sales for the period, multiplied by 365 days in respect of year periods, and 182.5 days in respect of six-month period.
2. Calculated as the average of the beginning and ending trade and bills receivables balances for the period, divided by revenue for the period, multiplied by 365 days in respect of year periods, and 182.5 days in respect of six-month period.
3. Calculated as the average of the beginning and ending trade and bills payables balances for the period, divided by the cost of sales in the period, multiplied by 365 days in respect of year periods, and 182.5 days in respect of six-month period.

The difference in collection time of our average trade and bills receivables and the payment time of our average trade and bills payables is 11.2 days, 9.4 days, 16.4 days and 23.1 days, for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively. The increase in the difference in collection time of our average trade and bills receivables and the payment time of our average trade and bills payables to 16.4 days for the year ended 31 December 2006, was mainly due to increase in the trade and bills receivables which are current or overdue for less than 30 days, mainly arising from the last three months of sales, from approximately HK\$87.5 million as of 31 December 2005 to approximately HK\$130.4 million as of 31 December 2006 respectively, as a result of increase in number of sales orders of our amenity products from existing customers. The further increase to 23.1 days for the six months ended 30 June 2007, was mainly due to customers took longer time to settle trade and bills receivables balances, however most of these balances were still within credit period amounting to approximately HK\$93.0 million as at 30 June 2007 as compared to approximately HK\$85.6 million as at 31 December 2006. Please refer to "Trade and Bills Receivables" below for our further analysis.

Inventories

Our inventories increased from approximately HK\$34.4 million as at 31 December 2004 to approximately HK\$43.8 million as at 31 December 2005, to approximately HK\$55.8 million as at 31 December 2006 and to approximately HK\$61.2 million as at 30 June 2007. The increase in the inventories for the three years ended 31 December 2006 and the six

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months ended 30 June 2007 was due primarily to the overall increase in sales volume. As at 19 September 2007, 74.9% of the total gross inventory balance of approximately HK\$67.8 million as at 30 June 2007 was subsequently used in production or sold to customers. The average inventory days decreased from 46.5 days in the year ended 31 December 2004 to 41.1 days in the year ended 31 December 2005 then to 39.5 days in the year ended 31 December 2006 and increased to 44.2 days in the six months ended 30 June 2007 was primarily due to better inventory and production management and timely delivery of finished goods to customers, however, the slight increase in average inventory days in the six months ended 30 June 2007 was primarily due to increase in raw materials purchases as a result of anticipated increase in future sales. Provisions or write-offs of inventories will be made upon review of the conditions and net realisable value of individual inventory items.

The following table sets forth our inventory positions as at the balance sheet dates indicated.

	As at 31 December			As at
	2004	2005	2006	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2007 (HK\$'000)
Raw materials	21,377	24,563	25,432	34,735
Work in progress	502	674	1,192	1,176
Finished goods	15,997	20,485	34,132	31,871
	37,876	45,722	60,756	67,782
Less: Provision for obsolete inventories	(3,504)	(1,897)	(4,927)	(6,539)
Total	34,372	43,825	55,829	61,243

Our inventories mainly consist of chemicals, plastics monomers, soap noodles, purchased materials and finished goods which normally can be stored no less than one year in our warehouse.

We adopt a strict policy on provisions for obsolete inventories. Based on the results of the internal inspections carried out by our staff in the inventory department, we will assess the adequacy of provisions at least once every year on raw materials, work in progress and finished goods which are identified as either damaged, disposed, unusable or obsolete. The aging of our inventories normally does not exceed one year from the date of receipt recorded in our warehouse. Purchase of raw materials would normally be made upon receipt of sales orders from our customers, and the quantity of purchase would be tailored in accordance with each sales order, to allow for sufficient but not excessive purchase of materials. We normally deliver our finished goods upon completion of production. Accordingly, we will make specific provision against inventories aged over one year, as most of these inventories will not be suitable for future production.

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We recorded a provision for obsolete inventories of approximately HK\$2.2 million in the year ended 31 December 2004, a write-back of provision for obsolete inventories of approximately HK\$1.6 million in the year ended 31 December 2005 due to sale of goods that were previously written down and a provision for obsolete inventories of approximately HK\$3.0 million and HK\$1.6 million in the year ended 31 December 2006 and the six months ended 30 June 2007 respectively. In addition, we wrote off inventories of approximately HK\$0.01 million for the year ended 31 December 2005 and approximately HK\$0.3 million for the 6 months ended 30 June 2007.

Trade and Bills Receivables

Our trade and bills receivables increased from approximately HK\$69.6 million as at 31 December 2004, to approximately HK\$101.8 million as at 31 December 2005, to approximately HK\$158.6 million as at 31 December 2006 and further increased to approximately HK\$167.3 million as at 30 June 2007. The increase was primarily due to increase in sales volume. As at 19 September 2007, 87.4% of the total gross trade and bills receivables of approximately HK\$171.2 million as at 30 June 2007 was subsequently settled by the customers. The average trade and bills receivable days decreased from 66.5 days in the year ended 31 December 2004 to 62.4 days in the year ended 31 December 2005. The decrease was primarily due to stringent control over trade receivables collection from customers. The average trade and bills receivable days increased from 62.4 days in the year ended 31 December 2005 to 70.3 days in the year ended 31 December 2006. The increase was primarily due to increase in the trade and bills receivables which are current or overdue for less than 30 days, mainly arising from the last three months of sales, from approximately HK\$87.5 million as at 31 December 2005 to approximately HK\$130.4 million as at 31 December 2006, as a result of increase in number of sales orders of our amenity products from existing customers. The further increase to 79.2 days in the six months ended 30 June 2007, was mainly due to customers took longer time to settle trade and bills receivables balances, however most of these balances were still within credit period amounting to approximately HK\$93.0 million as at 30 June 2007 as compared to approximately HK\$85.6 million as at 31 December 2006.

Generally, we provide trade credit to the majority of our customers from 30 to 60 days depending on various factors such as financial strength, size of the business and payment history of the customer. All credit terms are subject to our senior management's approval. Our management and responsible sales personnel conduct regular reviews of customers with overdue payments or who have exceeded their credit limit. We pursue collection of delinquent payments through telephone calls, e-mails, in person meetings and demand letters, as deemed necessary. Payments are generally received in US dollars, Renminbi or Hong Kong dollars and payment methods primarily consist of telegraphic transfers and letters of credit. Our trade and bills receivables are written down to the recoverable amount upon review of the outstanding balance item by item with reference to ageing and likelihood of collection.

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For the three years ended 31 December 2006 and the six months ended 30 June 2007, the Group recognised impairment losses of trade and bills receivables amounting to approximately HK\$0.5 million, HK\$0.9 million, HK\$1.5 million and HK\$0.9 million, respectively. The losses were related to sales made to customers which are in dispute and have remained long overdue.

Deposits, Prepayments and Other Receivables

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Deposits	19	35	279	206
Prepayments	3,553	5,054	5,038	13,851
Other receivables	862	1,315	6,280	7,208
 Total	4,434	6,404	11,597	21,265

Our deposits mainly represented rental and utility deposits. Prepayments mainly represented prepayments for purchase of land use rights, fixed assets, raw materials and professional fees related to the Listing. Other receivables mainly represented other receivables in relation to the purchase of land use right in Luoding and value added taxes. Other receivable related to the purchase of land use right in Luoding was a deposit paid to the Municipal Government of Shuangdong Town, Luoding City, Guangdong Province for the acquisition of a piece of land in Luoding. Pursuant to the land transfer agreement, the Municipal Government of Shuangdong Town is responsible for applying for the change of usage of that piece of land from “agriculture” to “construction” and to reclaim the land from its existing owners by 31 December 2006. However, the application for the change of usage and the land reclamation process were still in progress as of 31 December 2006. In accordance with the land transfer agreement, we have the right to terminate the contract at any point of time and reclaim the deposit paid should the Municipal Government of Shuangdong Town fails to perform any of the clauses as stipulated in the contract. As a result, the funds advanced to the Municipal Government of Shuangdong Town as of 31 December 2006 and 30 June 2007 respectively were included in other receivables.

Our deposits, prepayments and other receivables increased by approximately HK\$2.8 million to approximately HK\$4.4 million as at 31 December 2004 mainly due to prepayment for purchase of land use right of approximately HK\$2.6 million, and further increased to approximately HK\$6.4 million as at 31 December 2005 mainly due to the increase of approximately HK\$1.3 million in prepayments for purchase of fixed assets and raw materials. Our deposits, prepayments and other receivables increased from approximately HK\$6.4 million as at 31 December 2005 to approximately HK\$11.6 million as at 31 December 2006 and further increased to approximately HK\$21.3 million as at 30 June 2007. The increase from 31 December 2005 to 31 December 2006 was mainly due to increase of approximately HK\$3.7 million and approximately HK\$0.8 million, respectively, in other receivables in relation to the purchase of land use rights over a piece of land in Luoding and

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value added taxes. The increase from 31 December 2006 to 30 June 2007 was mainly due to increase in prepayments for professional fees related to the Listing of approximately HK\$7.3 million and purchase of fixed assets and raw materials of approximately HK\$1.4 million.

Trade and Bills Payables

Our trade and bills payables increased from approximately HK\$44.3 million as at 31 December 2004 to approximately HK\$63.4 million as at 31 December 2005, to approximately HK\$81.9 million as at 31 December 2006 and then decreased slightly to approximately HK\$81.3 million as at 30 June 2007. The increase of trade and bills payables was primarily due to increase in purchases of raw materials and semi-finished goods for production to satisfy the increasing demand of our products which was reflected by the increase of our sales volumes.

The average trade and bills payable days decreased from 55.3 days in the year ended 31 December 2004 to 53.0 days in the year ended 31 December 2005, increased slightly to 53.9 days in the year ended 31 December 2006 and further increased to 56.1 days in the six months ended 30 June 2007. There was no material fluctuations of average trade and bills payable days and they were within the trade credit terms offered by our suppliers.

Our raw material suppliers generally offer our Group between 30 and 60 days of trade credit. There are no current disputes between the Group and any of its suppliers.

Payments are generally settled in HK dollars or Renminbi and payment methods primarily consist of cheques and telegraphic transfers.

Accruals and Other Payables

Accruals and other payables mainly represented accruals for staff related costs, provision for social welfare contributions, customer advances and commissions payable and accrued distribution costs and administrative expenses.

Our accruals and other payables increased by approximately HK\$6.4 million to approximately HK\$16.7 million as at 31 December 2004 mainly due to the increase of approximately HK\$4.5 million and approximately HK\$3.0 million respectively in accruals for staff related costs and provision for social welfare contributions, and further increased to approximately HK\$26.8 million as at 31 December 2005 mainly due to the increase of approximately HK\$3.3 million, approximately HK\$4.7 million and approximately HK\$1.4 million respectively in accruals for staff related costs, provision for social welfare contributions, and customer advances and commissions payable. Our accruals and other payables increased from approximately HK\$26.8 million as at 31 December 2005 to approximately HK\$42.6 million as at 31 December 2006 and further increased to approximately HK\$56.3 million as at 30 June 2007. The increase from 31 December 2005 to 31 December 2006 was mainly due to increase of approximately HK\$3.8 million and HK\$9.9 million respectively in accruals for staff related costs and provision for social welfare contributions. The increase from 31 December 2006 to 30 June 2007 was mainly due to increase in provision for social welfare contributions of approximately HK\$7.1

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million, customer advances and commission of approximately HK\$2.2 million and sales returns and toothpaste recall expenses of approximately HK\$3.9 million as described in the section headed “Business – Toothpaste DEG Issues”.

INDEBTEDNESS DURING THE TRACK RECORD PERIOD

Borrowings

The table below sets out our borrowings of loans and overdrafts as at the balance sheet dates indicated:

	<u>As at 31 December</u>			<u>As at</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>30 June</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Non-current				
Long-term bank loans	191	4,997	–	–
Current				
Current portion of long-term bank loans	10,357	12,184	5,764	–
Short-term bank loans	10,129	11,376	2,258	5,170
Bank overdrafts	–	5,739	–	–
	<u>20,486</u>	<u>29,299</u>	<u>8,022</u>	<u>5,170</u>
Total borrowings	<u><u>20,677</u></u>	<u><u>34,296</u></u>	<u><u>8,022</u></u>	<u><u>5,170</u></u>
Representing:				
Unsecured	14,334	11,566	1,258	5,170
Secured	<u>6,343</u>	<u>22,730</u>	<u>6,764</u>	–
	<u><u>20,677</u></u>	<u><u>34,296</u></u>	<u><u>8,022</u></u>	<u><u>5,170</u></u>

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The table below sets out our borrowings of bank loans and overdrafts as at the dates indicated, by maturity date:

	As at 31 December			As at
	2004	2005	2006	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2007
Within one year	20,486	29,299	8,022	5,170
In the second year	191	4,997	–	–
Total	20,677	34,296	8,022	5,170

As at 31 December 2004, 2005 and 2006 and 30 June 2007, certain borrowings were secured by our assets. The table below sets out the carrying amount of the pledged assets as at the dates indicated:

	As at 31 December			As at
	2004	2005	2006	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2007
Leasehold land and land use rights	2,002	1,994	2,019	2,066
Property, plant and equipment	29,937	28,829	28,132	28,240
Bills receivables	6,324	–	–	–
	38,263	30,823	30,151	30,306

Certain of our bank facilities were secured by restricted cash of approximately HK\$17.2 million, approximately HK\$17.5 million, approximately HK\$16.1 million and approximately HK\$11.0 million respectively as at 31 December 2004, 2005 and 2006 and 30 June 2007.

Certain of our other bank facilities also contain restrictive covenants. As at the Latest Practicable Date, we have satisfied all and have not breached any of these covenants. Proceeds from the bank loans were used for capital expenditure, working capital and operating expenses.

Contingent Liabilities

As at 31 December 2004, 2005 and 2006 and 30 June 2007, we had no material contingent liabilities.

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INDEBTEDNESS AS AT 31 AUGUST 2007

Borrowings

At the close of business on 31 August 2007, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Prospectus, the Group had short-term bank loans of approximately HK\$27.6 million of which approximately HK\$3.7 million were unsecured and the remaining balance of approximately HK\$23.9 million were secured by certain of our assets. The pledged assets included the Group's leasehold land and land use rights with net carrying value of approximately HK\$2.1 million and property, plant and equipment with net carrying value of approximately HK\$28.1 million. Certain of our bank facilities were secured by restricted cash of approximately HK\$11.0 million.

On 11 September 2007, 14 September 2007 and 20 September 2007, companies comprising the Group signed facility agreements with certain commercial banks under which the Group was granted three term loan facilities amounting to approximately US\$1.0 million (equivalent to approximately HK\$7.8 million), approximately US\$1.1 million (equivalent to approximately HK\$8.6 million), and approximately HK\$15 million. The US\$ denominated term loans bear interest at London Inter-bank Offering Rates ("LIBOR") plus 70 basis points per annum, are secured by deposits of approximately RMB7.7 million and approximately RMB8.3 million respectively, and are repayable in September 2008. The remaining HK\$ denominated term loan of approximately HK\$15 million bears interest at prime rate plus 100 basis points per annum and repayable the earlier of 31 December 2007 or one month after the successful listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited.

Contingent liabilities

At the close of business on 31 August 2007, we had no material contingent liabilities.

Other Liabilities

Except as disclosed above and other than intra-group liabilities, which have been disregarded for these purposes, the Company did not have any outstanding loan capital, bank overdrafts, liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities outstanding as at 31 August 2007.

All financial assistance including guarantees provided by Mr. Ching Chau Chung and Mr. Ching Chi Fai are expected to be released upon the Listing.

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CAPITAL COMMITMENTS

The following table presents our capital expenditure commitments in respect of acquisition of property, plant and equipment contracted for but not provided as at the dates indicated:

	<u>As at 31 December</u>			As at
	<u>2004</u>	<u>2005</u>	<u>2006</u>	30 June
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	2007
Capital commitments – property, plant and equipment contracted but not provided for	<u>4,827</u>	<u>552</u>	<u>247</u>	<u>6,620</u>

The Directors confirm that there have been no material changes in our capital commitments since the Latest Practicable Date.

The following table presents our commitments for future aggregate minimum lease payments under non-cancellable operating leases for land and building as at the dates indicated:

	<u>As at 31 December</u>			As at
	<u>2004</u>	<u>2005</u>	<u>2006</u>	30 June
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	2007
No later than 1 year	13	177	763	1,074
Later than 1 year and no later than 5 years	–	–	948	660
	<u>13</u>	<u>177</u>	<u>1,711</u>	<u>1,734</u>

CAPITAL ADEQUACY RATIOS

The following table sets forth certain capital adequacy ratios for the periods indicated:

	<u>Year ended 31 December</u>			Six months ended
	<u>2004</u>	<u>2005</u>	<u>2006</u>	30 June
	<u>2004</u>	<u>2005</u>	<u>2006</u>	2007
Debt to assets ratio ¹	8.8%	11.6%	2.0%	1.2%
Net debt to equity ²	10.5%	16.5%	N/A ³	N/A ³

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Notes:

1. Calculated as the total debts for the period, divided by total assets for the period x 100%. Debts are defined to include current and non-current bank borrowings.
2. Calculated as the net debts for the period, divided by the equity for the period x 100%. Net debts are defined to include all bank borrowings net of cash and cash equivalents.
3. Cash and cash equivalents as at 31 December 2006 and 30 June 2007 have exceeded the amount of all bank borrowings respectively.

Our debt to assets ratio increased from 8.8% in the year ended 31 December 2004 to 11.6% in the year ended 31 December 2005, decreased to 2.0% in the year ended 31 December 2006 and further decreased to 1.2% in the six months ended 30 June 2007. The increase in the year ended 31 December 2005 was primarily due to the drawn down of bank borrowings during September to December 2005. The decrease in the year ended 31 December 2006 and the six months ended 30 June 2007 was primarily due to repayment of bank borrowings as a result of an improvement in working capital position.

Our net debt to equity ratio increased from 10.5% in the year ended 31 December 2004 to 16.5% in the year ended 31 December 2005, decreased to nil in the year ended 31 December 2006 and in the six months ended 30 June 2007. The increase to 16.5% in the year ended 31 December 2005 was primarily due to the drawn down of bank borrowings during September to December 2005. The net cash position in the year ended 31 December 2006 and the six months ended 30 June 2007 was due to repayment of bank borrowings as a result of a continuous improvement in working capital position.

CAPITAL EXPENDITURES

Our capital expenditures comprise purchases of property, plant and equipment, leasehold land and land use rights and intangible assets. The following table shows our capital expenditures, based on where the assets are located, for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				(unaudited)	
Hong Kong	1,550	450	124	–	900
China	14,113	22,600	23,122	8,578	13,051
Singapore	27	212	538	280	11
Total	15,690	23,262	23,784	8,858	13,962

The Group estimates that capital expenditures for the year ending 31 December 2007 will be approximately HK\$32.8 million. The Group's planned future capital expenditures mainly include the purchase of additional production facilities and machinery. The Group expects to fund these expansion plans with cash flow from its operations and the net

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proceeds from the Share Offer. The actual amounts of expenditures incurred may vary from the estimated amounts of expenditures for a variety of reasons, including changes in market conditions and other factors. Our ability to obtain additional funding required for increased capital expenditure in the future is subject to a variety of uncertainties including the future results of our operations, financial condition and cash flows, and economic and political and other conditions in the PRC. Please see “Risk Factors – We may be unable to sustain or manage our future growth”.

PROPERTY INTEREST

Vigers Appraisal & Consulting Limited, an independent property valuer, has valued our property interests, including land use rights, as at 31 August 2007 at approximately HK\$90.8 million. The text of its letter, summary of valuation and valuation certificates are set out in Appendix IV to this prospectus.

A reconciliation of the net book value of the relevant property interests, including land use rights, as at 30 June 2007 to their fair value as at 31 August 2007 as stated in Appendix IV to this prospectus is as follows:

	<i>(HK\$'000)</i>
Net book values as at 30 June 2007 included in the Accountants' Report set out in Appendix I to this prospectus	
Leasehold land and land use rights	<u>10,804</u>
Buildings	51,716
Less: Buildings not subject to valuation	<u>(12,399)</u>
	39,317
	50,121
Movements for the two months ended 31 August 2007	
Additions (unaudited)	4,100
Depreciation on buildings (unaudited)	(405)
Amortisation on leasehold land and land use rights (unaudited)	(50)
Currency translation differences (unaudited)	<u>332</u>
Net book values as at 31 August 2007	<u><u>54,098</u></u>
Valuation surplus	<u>36,712</u>
Valuation as at 31 August 2007 as per Appendix IV to this prospectus	<u><u>90,810</u></u>

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OFF-BALANCE SHEET ARRANGEMENTS AND CONTINGENCIES

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our Shares and classified as shareholders' equity, or that are not reflected in our combined financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

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As at the Latest Practicable Date, the Group had no non-trade balances due to shareholders and related parties.

CRITICAL ACCOUNTING POLICIES

We have identified below the accounting policies that we believe are the most critical to our combined financial statements. These accounting policies require the most difficult, subjective or complex judgments of the management of our Group, often as a result of the need to make estimates about the effect of matters which are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our Group's financial statements. Estimates and judgments 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) 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 combined income statement during the financial year/period in which they are incurred.

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

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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 combined income statement.

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.

(b) Leasehold land and land use rights

Leasehold land and 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 on which various plants and buildings are situated for periods varying from 20 to 70 years. Amortisation of leasehold land and land use rights is expensed in the combined income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the combined income statement.

(c) 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.

(d) 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

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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 original 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 original 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 combined income statement. 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 combined income statement.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash in 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 in the combined balance sheet.

(f) Deferred income tax

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associate, except 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.

(g) 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.

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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.

(h) Revenue recognition

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

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

(i) Sales of goods

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

Revenue is stated net of provision for sales return. 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) Interest income

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

(i) Dividend distribution

Dividend distribution to the then shareholders of the companies comprising the Group is recognised as a liability in the Group's financial statement in the period in which the dividends are approved by the then shareholders.

FINANCIAL RISK MANAGEMENT

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.

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Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

Foreign currency risk

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to Renminbi (“RMB”). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In addition, the conversion of RMB into foreign currencies 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 material denominated in the same currency.

Certain of the assets of the Group are principally denominated in United States Dollar (“US\$”). HK\$ is pegged to US\$, and thus foreign exchange exposure is considered as minimal. The Group currently does not have a foreign currency hedging policy.

Prior to the revaluation of RMB in July 2005, foreign exchange exposure with respect to RMB is considered as minimal. During the years ended 31 December 2005 and 2006 and the six months ended 30 June 2007, if HK\$ had strengthened/weakened by 5% against the RMB, with all other variable held constant, post-tax profit for the year/period would have been approximately HK\$2,031,000, HK\$1,656,000 and HK\$1,347,000, respectively, higher or lower. At 31 December 2005 and 2006 and 30 June 2007, if HK\$ had strengthened/weakened by 5% against the RMB, equity would have been approximately HK\$1,741,000, HK\$4,071,000 and HK\$4,882,000, respectively, lower or higher.

Interest rate risk

The Group’s income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group’s exposures to changes in interest rates are mainly attributable to its borrowings.

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group’s borrowings have been disclosed in Note 20 to the Accountants’ Report as set out in Appendix I to this prospectus.

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 refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss 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.

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Based on the simulations performed, the impact on net profit or loss after taxation and equity of a 80 basis-point shift would be a maximum increase/decrease of approximately HK\$135,000, HK\$131,000, HK\$172,000 and HK\$28,000 for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively.

Price risk

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

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 on-going 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. The Group's historical experience in collection of trade, bills and other receivables falls within the recorded allowances.

The table below shows the credit limit and balance of the five major debtors at the respective balance sheet dates.

Counterparty	Nature of Customers	31 December 2004		31 December 2005		31 December 2006		30 June 2007	
		Credit limit	Utilised	Credit limit	Utilised	Credit limit	Utilised	Credit limit	Utilised
		(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Guest Supply LLC.	Distributor	8,000	6,831	15,000	14,981	12,000	10,491	18,000	15,449
Guest International Ltd.	Distributor	N/A	N/A	N/A	N/A	26,000	25,035	26,000	18,299
Shangri-La International Hotel Management Limited	Direct-sales customer	N/A	N/A	6,000	5,759	8,000	7,699	10,000	8,394
Advance Medical Designs Inc.	Distributor	8,000	6,873	10,000	3,978	12,000	11,085	12,000	7,886
Wessco International	Distributor	5,000	3,420	N/A	N/A	8,000	7,051	N/A	N/A
Molton Brown Cosmetics	Distributor	7,000	5,812	6,000	4,777	N/A	N/A	N/A	N/A
Gunter Facility Supplies LLC	Distributor	N/A	N/A	6,000	4,944	N/A	N/A	N/A	N/A
Gilchrist & Soames	Distributor	8,000	6,651	N/A	N/A	N/A	N/A	N/A	N/A
Zorbit Resources Inc.	Distributor	N/A	N/A	N/A	N/A	N/A	N/A	10,000	8,674

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

	As at 31 December			As at
	2004	2005	2006	30 June
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Trade and bills receivables				
New customers (less than 12 months)	7,558	6,221	7,374	2,161
Existing customers (more than 12 months) with no defaults in the past	35,190	55,083	78,223	90,796
Total	42,748	61,304	85,597	92,957
Cash and cash equivalents				
Cash at banks and bank deposits				
Listed financial institutions	5,170	5,575	42,221	45,615
Unlisted financial institutions	5,085	9,558	237	442
Subtotal	10,255	15,133	42,458	46,057
Cash on hand	578	371	411	331
Total	10,833	15,504	42,869	46,388
Restricted cash				
Listed financial institutions	17,169	17,469	16,095	10,963
Total	17,169	17,469	16,095	10,963

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Liquidity risk

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2004					
Borrowings	20,486	191	–	–	20,677
Amounts due to shareholders	10,847	–	–	–	10,847
Amounts due to related parties	19,920	–	–	–	19,920
Trade and bills payables	44,346	–	–	–	44,346
Dividends payable	20,000	–	–	–	20,000
At 31 December 2005					
Borrowings	29,299	4,997	–	–	34,296
Amounts due to shareholders	19,185	–	–	–	19,185
Amounts due to related parties	31,292	–	–	–	31,292
Trade and bills payables	63,426	–	–	–	63,426
At 31 December 2006					
Borrowings	8,022	–	–	–	8,022
Amounts due to shareholders	32,686	–	–	–	32,686
Amounts due to related parties	34,994	–	–	–	34,994
Trade and bills payables	81,909	–	–	–	81,909
Dividends payable	24,000	–	–	–	24,000
At 30 June 2007					
Borrowings	5,170	–	–	–	5,170
Amounts due to shareholders	35,210	–	–	–	35,210
Amounts due to related parties	14,746	–	–	–	14,746
Trade and bills payables	81,299	–	–	–	81,299

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At the respective balance sheet dates, the Group had the following borrowing facilities:

	As at 31 December			As at
	2004	2005	2006	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2007 (HK\$'000)
Borrowing facilities available	39,000	72,635	58,850	54,908
Borrowing facilities utilised	(6,343)	(22,730)	(6,764)	–
Undrawn borrowing facilities	<u>32,657</u>	<u>49,905</u>	<u>52,086</u>	<u>54,908</u>

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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (represented by total liabilities less current and deferred income tax as shown in the combined balance sheets) less cash and cash equivalents. Total capital is calculated as equity, as shown in the combined balance sheets, plus net debt. Management consider a gearing ratio of not more than 60% as reasonable.

	As at 31 December			As at
	2004	2005	2006	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2007 (HK\$'000)
Total borrowings	132,486	175,034	224,225	192,698
Less: Cash and cash equivalents	(10,833)	(15,504)	(42,869)	(46,388)
Net debt	121,653	159,530	181,356	146,310
Total equity	93,345	114,008	164,556	227,377
Total capital	<u>214,998</u>	<u>273,538</u>	<u>345,912</u>	<u>373,687</u>
Gearing ratio	57%	58%	52%	39%

FINANCIAL INFORMATION

Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and bills receivables, trade and bill payables, dividends payable, amounts due to shareholders/related parties and amount due from an associated company, short-term borrowings approximate their fair values due to their short maturities.

The fair values of non-current borrowings are disclosed in Note 20 to the Accountants' Report as set out in Appendix I to this prospectus. The fair value of financial liabilities for disclosure purpose is estimated by discounting if the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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.

Critical accounting estimates and assumption

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 discussed below.

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. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of any future management determination of relocation or renovation. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down non-strategic assets that have been abandoned or sold.

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Critical judgements

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 legal adviser, 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\$20,231,000, HK\$19,725,000, HK\$16,668,000 and HK\$16,765,000 as at 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively. Accordingly, no impairment for such assets is considered necessary to be made according to the Group's accounting policies.

If there is any dispute regarding the legal title of such properties occupied by the Group comes into question, the Group may have to vacate from such properties and relocate elsewhere. This may lead to additional expenses and/or business interruptions as a result of the relocation. The Controlling Shareholders have provided an indemnity in the Group's favour to reimburse any loss or damage that the Group may suffer as a result of such relocation.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 30 June 2007 (being the date to which our latest combined financial results were prepared as set out in the Accountants' Report in Appendix I to this prospectus).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DISTRIBUTABLE RESERVES

As at 30 June 2007, we had retained earnings of approximately HK\$154.5 million available for distribution to our equity holders.

PROFIT FORECAST

The Directors estimate that, in the absence of unforeseeable circumstances and on the bases set out in Appendix III, the Group's forecast of the consolidated profit attributable to the shareholders of the Company for the year ending 31 December 2007 will not be less than approximately HK\$110.5 million.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2007 as if the Share Offer had taken place on 30 June 2007 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 30 June 2007 or at any future dates following the Share Offer.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2007 <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company	Unaudited pro forma adjusted net tangible assets per share <i>(Note 3)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
Based on an Offer Price of HK\$2.50 per share	<u>226,698</u>	<u>342,395</u>	<u>569,093</u>	<u>0.95</u>
Based on an Offer Price of HK\$2.98 per share	<u>226,698</u>	<u>412,595</u>	<u>639,293</u>	<u>1.07</u>

Notes:

- The adjusted combined net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2007 is based on the audited combined net assets of the Group attributable to equity holders of the Company as at 30 June 2007 of approximately HK\$227,377,000, as extracted from the Accountants' Report set out in Appendix I to the Prospectus, with an adjustment for excluding the intangible assets of the Group as at 30 June 2007 of HK\$679,000.
- The estimated net proceeds from the Share Offer are based on the indicative Offer Prices of HK\$2.50 and HK\$2.98 per Share respectively after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.
- The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 600,000,000 Shares were in issue assuming that the Share Offer has been completed on 30 June 2007 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme.
- As at 31 August 2007, the Group's properties interest were revalued by Vigers Appraisal and Consulting Limited, an independent property valuer, and the relevant property valuation report is set out in "Appendix IV – Property Valuation". The net revaluation surplus, representing the excess of market value of the properties over their book value, is approximately HK\$36.7 million. Such revaluation surplus has not been included in the Group's combined financial information as at 30

FINANCIAL INFORMATION

June 2007 and will not be included in the Group's financial statements for the year ending 31 December 2007. The above adjustment does not take into account the above revaluation surplus. Had the properties been stated at such valuation, an additional depreciation of approximately HK\$1.8 million per annum would be charged against the consolidated income statement for the year ending 31 December 2007.

5. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2007.

WORKING CAPITAL

Taking into account the net proceeds available to our Group from the Share Offer, the available banking facilities and our operating cash flows, our Directors confirm that the Group has sufficient working capital to meet its requirements for at least the next 12 months from the date of this prospectus.

DIVIDEND POLICY

During the Track Record Period, we declared and paid dividends of HK\$23.0 million, HK\$35.0 million and HK\$49.0 million respectively for the three years ended 31 December 2006 and nil for the six months ended 30 June 2007. All dividends declared were settled in cash.

After completion of the Share Offer, our shareholders will be entitled to receive dividends declared by us. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant.

Final dividends, if any, on the outstanding Shares must be recommended by our Board and approved at our annual general meeting of shareholders. In addition, the Board may declare special and interim dividends. The payment and the amount of any dividends declared will be subject to our Memorandum and Articles and the Cayman Islands Companies Law. We are entitled under our Memorandum and Articles and the Cayman Islands Companies Law to pay dividends out of distributable profits and reserves. Further details are set out in the section headed "Dividends and other methods of distributions" in Appendix V of this prospectus.

Subject to the above-mentioned, from our fiscal year ending 31 December 2007, our Directors currently intend to declare a cash dividend in an amount equivalent to approximately 40.0% of the consolidated profit attributable to equity holders of our Company for each fiscal year.

The timing, amount and form of future dividends, if any, will depend, among other things, on:

- the Group's results of operations and cash flows;
- the Group's future prospects;

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- general business conditions;
- the Group's capital requirements and surplus;
- contractual restrictions on the payment of dividends by the Company to its shareholders or by subsidiaries to the Company;
- taxation considerations;
- possible effects on the Company's creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

Our ability to pay cash dividends will also depend upon the amount of distributions, if any, received by us from our operating subsidiaries. Under PRC law, dividends may be paid only out of distributable profits, which are the retained earnings of the relevant companies organised in the PRC. We will not ordinarily pay any dividends in a year in which we do not have any distributable earnings.

We can give no assurance that any dividends will be paid. You should consider the risk factors affecting our Group contained in the section headed "Risk Factors" in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

See the section headed “Business – Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS FROM ISSUE OF THE NEW SHARES

Based on an Offer Price of HK\$2.74 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus), we estimate that the net proceeds from issue of the New Shares as part of the Share Offer (after deducting the underwriting commissions and other estimated offering expenses paid or payable by us) will be approximately HK\$377.5 million, assuming that the Over-allotment Option is not exercised. We intend to use these net proceeds for the following purposes:

- approximately HK\$80.0 million (approximately 21.2% of the net proceeds from the Share Offer to us) is expected to be used primarily on our sales and marketing activities as follows:
 - (i) approximately HK\$50.0 million for funding or further enhancing the development of sales in North America and Europe including, but not limited to, the establishment of joint venture for supplies of amenity products and business development and/or entering into distribution agreement with our distributors or other customers. As at the Latest Practicable Date, we have not identified any specific joint venture partners;
 - (ii) approximately HK\$15.0 million for setting up new sales offices, expansion of sales network and sales to mid-range and chain hotels in the Greater China Region; and
 - (iii) approximately HK\$15.0 million for increasing promotional and marketing activities, upgrading brand image of our self-branded products and developing new product formulations and designs;
- approximately HK\$159.0 million (approximately 42.1% of the net proceeds from the Share Offer to us) is expected to be used primarily for enhancement of our production as follows:
 - (i) approximately HK\$54.0 million for our Pinghu Production Base, out of which:
 - approximately HK\$32.0 million for the acquisition of additional production equipment to improve our production capacity for chemical-based products, as a result of which the annual production capacity of our Pinghu Production Base for chemical-based products is expected to increase by approximately 70.0% by the end of 2009 (as compared to that of 31 December 2006);

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$11.0 million for the acquisition of additional production equipment to improve our production capacity for toothbrushes, as a result of which the annual production capacity of our Pinghu Production Base for toothbrushes is expected to increase by approximately 100.0% by the end of 2009 (as compared to that of 31 December 2006);
 - approximately HK\$4.0 million for the acquisition of additional production equipment to improve our production capacity for bath soaps, as a result of which the annual production capacity of our Pinghu Production Base for bath soaps is expected to increase by approximately 50.0% by the end of 2009 (as compared to that of 31 December 2006); and
 - approximately HK\$7.0 million for the acquisition of additional equipment for the logistics operations, replacement of ageing facilities and general enhancement of working environment;
- (ii) approximately HK\$105.0 million for our Luoding Production Base or other new production sites, out of which:
- approximately HK\$52.0 million for establishment of new production workshops and other ancillary facilities;
 - approximately HK\$31.0 million for acquisition of production equipment for the production of chemical-based products, as a result of which the annual production capacity of our Luoding Production Base or other new production sites for chemical-based products is expected to increase by approximately 100.0% by the end of 2009 (as compared to that of our Pinghu Production Base of 31 December 2006);
 - approximately HK\$14.0 million for acquisition of production equipment for the production of toothbrushes, as a result of which the annual production capacity of our Luoding Production Base or other new production sites for toothbrushes is expected to increase by approximately 200.0% by the end of 2009 (as compared to that of our Pinghu Production Base of 31 December 2006);
 - approximately HK\$4.0 million for acquisition of production equipment for the production of bath soaps, as a result of which the annual production capacity of our Luoding Production Base or other new production sites for bath soaps is expected to increase by approximately 40.0% by the end of 2009 (as compared to that of our Pinghu Production Base of 31 December 2006);
 - approximately HK\$4.0 million for the acquisition of equipment for logistics purpose;

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$20.0 million (approximately 5.3% of the net proceeds from the Share Offer to us) is expected to be used primarily for enhancement of our sourcing and procurement by acquisition and/or establishment of upstream production lines of raw materials and supplies;
- approximately HK\$39.0 million (approximately 10.3% of the net proceeds from the Share Offer to us) is expected to be used primarily for repayment of short-term bank loans for working capital, which includes two bank loans from Bank of China (Hong Kong) in outstanding amounts of approximately HK\$2.2 million at an interest rate of HIBOR +1.2% per annum maturing in January 2008 and of approximately HK\$15.0 million at prime rate + 1% per annum maturing in December 2007 or one month after Listing, whichever is the earlier, and two bank loans from Bank of China, Shenzhen Branch in an aggregate outstanding amount of approximately HK\$21.8 million at interest rates of 7.23% and 7.52% per annum respectively maturing in July 2008;
- approximately HK\$55.4 million (approximately 14.7% of the net proceeds from the Share Offer to us) is expected to be used primarily as follows:
 - (i) approximately HK\$6.2 million for settlement of outstanding consideration for obtaining land use rights over a parcel of land for construction of our Luoding Production Base;
 - (ii) approximately HK\$15.0 million for rectification of our titles over Pinghu Land II (as defined in the section headed “Business – Properties” in this prospectus) and the building structures thereon principally for payment of land premium in the relevant land reclamation and transfer procedures; and
 - (iii) approximately HK\$34.2 million for setting up logistic facilities in the Greater China Region and the Southeast Asia;
- approximately HK\$5.0 million (approximately 1.3% of the net proceeds from the Share Offer to us) is expected to be used primarily for enhancement of our management information system; and
- the balance of approximately HK\$19.1 million (approximately 5.1% of the net proceeds from the Share Offer to us) will be used to fund our general working capital.

The establishment of our Luoding Production Base mentioned above involves acquisition of land. We had entered into a land transfer agreement with the Municipal Government of Shuangdong Town, Luoding City, Guangdong Province (廣東省羅定市雙東鎮人民政府) for the acquisition of land use rights over a parcel of land at Luoding for construction of our Luoding Production Base. Details of the piece of land are set out in Appendix IV to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

The total consideration for land use rights over the said piece of land is approximately RMB10.0 million, of which approximately RMB3.7 million had been settled as at 30 June 2007. The outstanding consideration of approximately RMB6.3 million will be settled by applying part of the proceeds intended for establishment of our Luoding Production Base as mentioned above. We currently expect that our Luoding Production Base will be completed and commence operations in early 2009.

Concurrently, we are exploring locations other than Luoding with good potentials for establishment of our new production sites although no concrete steps have been taken nor agreements signed. In the premises, our new production facilities may not be necessarily constructed at Luoding but other locations which are beneficial to us as a whole taking into consideration factors such as cost impact on relocation, government policy in favour of manufacturing business in particular to foreign enterprises, abundance of labour, proximity to our PRC customers. In case we do not proceed with our Luoding Production Base, we would dispose of our current interest in the said piece of land originally planned for its construction. Our Directors expect that we will not incur any material losses as a result of such disposal.

Our Directors believe that the rapid growth of the PRC economy together with the hosting of the Olympic Games in Beijing in 2008 and the World Expo in Shanghai and the Asian Games in Guangzhou in 2010 will present us with attractive business opportunities in China in the foreseeable future. Moreover, besides our principal production of customised products for luxurious and high ranking hotels and international airlines, we are actively exploring the market potentials of expansion into the mid-range and chain budget hotel market in the PRC through mass production and supply of standardised and uniform amenity products. We therefore expect that there will be substantial demand for our products to utilise the increase in production capacity mentioned above.

To the extent that the net proceeds of the Share Offer are not immediately applied to the above purposes, we intend to deposit the unused proceeds in interest-bearing bank accounts, such as short-term savings accounts or basic short-term money market funds, with licensed commercial banks and/or authorised financial institutions in Hong Kong. We will also disclose the same in the relevant annual report of the Company.

In the event that the Over-allotment Option is exercised in full, based on the mid-point of the indicative Offer Price stated above, we estimate that the net proceeds from the sale of these additional Offer Shares (after deducting underwriting commissions and other estimated offering expenses paid and payable by us) will be approximately HK\$70.4 million. We intend to use these net proceeds to fund the above stated purpose of enhancement of production at our Pinghu Production Base and as additional general working capital.

In the event that the Offer Price is set at the high end of the proposed Offer Price range set forth on the cover page of this prospectus and assuming the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$412.6 million. The additional net proceeds of approximately HK\$35.1 million are intended to be used to fund the above stated purpose of enhancement of production at our Pinghu Production Base and as additional general working capital.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Offer Price is set at the low end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$342.4 million. In this event, the reduction in net proceeds of approximately HK\$35.1 million will be allocated to be above purposes on a pro rata basis.

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Hong Kong Underwriters

DBS Asia
BOCOM International Holdings Company Limited
CCB International Capital Limited
Kingston Securities Limited
Sun Hung Kai International Limited
VC Brokerage Limited

International Placing Underwriters

DBS Asia
BOCOM International Holdings Company Limited
CCB International Capital Limited
Kingston Securities Limited
Sun Hung Kai International Limited
VC Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, we have agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Hong Kong Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Global Coordinator (on behalf of the Hong Kong Underwriters) has the right, in

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its sole and absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Public Offer Underwriting Agreement by giving notice in writing to us, if it sees fit upon the occurrence of any of the following events:

- (a) there has come to the notice of the Global Coordinator:
 - (i) that any statement contained in any offer documents as defined in the Public Offer Underwriting Agreement (“Offer Documents”) including this prospectus and the Application Forms, considered by the Global Coordinator in its sole and absolute opinion to be material, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any forecasts, expressions of opinion, intention or expectation expressed in any Offer Documents and/or the relevant Application Forms are not, in the sole and absolute opinion of the Global Coordinator, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Global Coordinator to be material to the Share Offer; or
 - (iii) any breach of any of the obligations imposed upon any party (other than the Global Coordinator or any Hong Kong Underwriters) to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
 - (iv) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any member of our Group which is considered by the Global Coordinator in its sole and absolute opinion to be material in the context of the Share Offer; or
 - (v) any breach, considered by the Global Coordinator in its sole and absolute opinion to be material in the context of the Share Offer, of any of the warranties contained in the Public Offer Underwriting Agreement; or
 - (vi) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) we withdraw this prospectus (and any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or the Share Offer; or
 - (viii) any person (other than the Global Coordinator and any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics including SARS and H5N1 and such related or mutated forms or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or matters and/or disaster or monetary or trading settlement system (including without limitation any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or
 - (iii) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in any of Hong Kong, the PRC, the United States, Singapore, Malaysia, the Cayman Islands, the British Virgin Islands or any other jurisdictions relevant to any members of our Group (“Specific Jurisdictions”); or
 - (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States or by the European Union (or any member thereof) on any of the Specific Jurisdictions; or
 - (v) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws or regulations in any of the Specific Jurisdictions or affecting an investment in the Shares; or
 - (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
 - (vii) any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or

UNDERWRITING

- (viii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or
- (ix) the chairman or chief executive officer of our Company vacating his office in circumstances where the operations of our Group will be materially and adversely affected; or
- (x) the commencement by any regulatory body of any public action against a Director in his or her capacity as such or an announcement by any regulatory body that it intends to take any such action; or
- (xi) a contravention by any member of our Group of the Companies Ordinance or any of the Listing Rules; or
- (xii) a prohibition on us for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable law or regulation; or
- (xiv) other than with the approval of the Global Coordinator, the issue or requirement to issue by us of a supplementary prospectus (or any other documents used in connection with the subscription or sale of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xvi) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xvii) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xviii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), New York (imposed at the United States federal or New York state level or otherwise), Japan or the PRC or a material disruption in commercial banking or securities settlement or clearance services in any of the Specific Jurisdictions,

UNDERWRITING

which in each case in the sole and absolute opinion of the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (a) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects of us or our Group or any member of our Group or on any present or prospective shareholder in his, her or its capacity as such; or
- (b) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or
- (c) makes it inadvisable, inexpedient or impracticable for the Share Offer to proceed or to market the Share Offer; or
- (d) would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Undertakings

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders (except Pacific Plus and Ching Chau Chung) undertakes jointly and severally, and Pacific Plus and Ching Chau Chung undertake severally, in each case to each of DBS Asia, our Company and the Hong Kong Underwriters that:

- (i) during the First Lock-up Period, except pursuant to the Share Offer, he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Global Coordinator and unless pursuant to the stock borrowing agreement between Prosper Well and the Global Coordinator entered into on the date of the Public Offer Underwriting Agreement or otherwise in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Relevant Securities (in respect of which each relevant Controlling Shareholder is shown by this prospectus to be the beneficial owner); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in (a), (b) or (c) above;

UNDERWRITING

- (ii) he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Stock Exchange in the Second Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by him/her/it or any of his/her/its associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be Controlling Shareholder or would together with the other Controlling Shareholders cease to be Controlling Shareholders;
- (iii) in the event of a disposal of any Shares or securities of our Company or any interest therein within six months immediately following the expiry of the First Lock-up Period set out in paragraph (i) above, he/she/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) he/she/it shall, and shall procure that its associates and companies controlled by him/her/it and nominees or trustees holding in trust for him/her/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder controlled by him/her/it of any Shares.

Each of our Controlling Shareholders (except Pacific Plus and Ching Chau Chung) further undertakes jointly and severally, and Pacific Plus and Ching Chau Chung further undertake severally, in each case to each of DBS Asia, our Company, the Hong Kong Underwriters that, during the first twelve months from the Listing Date, he/she/it will:

- (i) when he/she/it pledges or charges any securities or interests in the Relevant Securities, immediately inform our Company and the Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Global Coordinator in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

UNDERWRITING

International Placing

In connection with the International Placing, it is expected that we and the Selling Shareholders will enter into the Placing Underwriting Agreement with, inter alia, the International Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the International Placing Underwriters will severally agree to subscribe or purchase or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing. The Selling Shareholders are expected to offer and sell the Sale Shares in the International Placing only and not in the Hong Kong Public Offer.

We will grant to the Global Coordinator the Over-allotment Option, exercisable by the Global Coordinator on behalf of the International Placing Underwriters at any time from the date of the Price Determination Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offer, to require us to allot and issue up to an aggregate of 26,550,000 additional Shares representing 15% of the Offer Shares initially offered under the Share Offer, at the same price per Share under the International Placing to cover, among other things, over-allocations (if any) in the International Placing.

Commissions and expenses

The Underwriters will receive an underwriting commission at the rate of 2.5% of the aggregate Offer Price payable for the Offer Shares (including shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$39.5 million in aggregate (based on an Offer Price of HK\$2.74 per Offer Share, being the mid-point of the stated range of the Offer Price of between HK\$2.50 and HK\$2.98 per Offer Shares and the assumption that the Over-allotment Option is not exercised) and is paid or payable by the Company and the Selling Shareholders based on the proportion of the New Shares and the Sale Shares in the Share Offer. Stamp duty (if any) payable in respect of the Sale Shares shall be borne by the Selling Shareholders.

UNDERWRITERS' INTERESTS IN THE COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Hong Kong Public Offer as part of the Share Offer. DBS Asia is the Global Coordinator, Bookrunner, Lead Manager and Sponsor.

The Share Offer consists of (subject to reallocation and the Over-allotment Option):

- the Hong Kong Public Offer of 17,700,000 New Shares (subject to reallocation as mentioned below) in Hong Kong as described below under “The Hong Kong Public Offer”. The Hong Kong Offer Shares include the 1,770,000 Shares initially available for subscription by eligible full-time employees in Hong Kong of our Group on a preferential basis; and
- the International Placing of 159,300,000 Shares (comprising 132,300,000 New Shares and 27,000,000 Sale Shares) (subject to reallocation as mentioned below) outside the United States in reliance on Regulation S as described below under “The International Placing”.

Investors may apply for the Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S. The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offer and the International Placing respectively may be subject to reallocation as described in the section headed “Pricing and Allocation”.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$2.98 per Offer Share and is expected to be not less than HK\$2.50 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

STRUCTURE OF THE SHARE OFFER

Price payable on application

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK\$2.98 for each Hong Kong Offer Share. If the Offer Price is less than HK\$2.98, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. See the section headed “Terms and Conditions of the Hong Kong Public Offer – Refund of Application Monies”.

Determining the Offer Price

The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around Thursday, 25 October 2007.

The Offer Price is expected to be fixed by agreement between the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders), on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 25 October 2007 and in any event, no later than 12:00 noon on Wednesday, 31 October 2007.

If, for any reason, we (for ourselves and on behalf of the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Wednesday, 31 October 2007, the Share Offer will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Global Coordinator (on behalf of the Underwriters) considers it appropriate and together with our consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer.

In such a case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be

STRUCTURE OF THE SHARE OFFER

fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Applicants under the Hong Kong Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the indicative Offer Price range and/or number of Offer Shares is so reduced.

Allocation

The Shares to be offered in the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Global Coordinator.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Net proceeds from the Share Offer

The net proceeds from the Share Offer accruing to us are estimated to be approximately HK\$377.5 million. The estimated net proceeds are calculated assuming an Offer Price of HK\$2.74 per Share (being the mid-point of the stated Offer Price range of HK\$2.50 to HK\$2.98 per Share) and after deduction of underwriting fees and estimated expenses paid or payable by us in relation to the Share Offer, assuming that the Over-allotment Option is not exercised.

STRUCTURE OF THE SHARE OFFER

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Thursday, 1 November 2007 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

Results of allocations in the Hong Kong Public Offer, including the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO**, will be made available through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares – 9(a). Publication of Results” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE OF THE SHARE OFFER

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will cause to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “Terms and Conditions of the Hong Kong Public Offer – Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Thursday, 1 November, 2007 but will only become valid certificates of title at 8:00 a.m. on Friday, 2 November, 2007, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Grounds for termination” in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFER

Number of Shares Initially Offered

We are initially offering 17,700,000 New Shares at the Offer Price, representing 10% of the 177,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offer will represent approximately 3.0% of our total issued share capital immediately after completion of the Share Offer, assuming that the Over-allotment Option is not exercised. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offer is subject to the conditions as set out in the section headed “– Conditions of the Hong Kong Public Offer” above.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offer less the Hong Kong Offer Shares validly subscribed for by applicants under the **PINK** Application Forms (as more particularly set out in the section headed “– Preferential Offer to Eligible Full-time Employees” below) (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offer and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Assuming all the 1,770,000 Shares initially available for subscription by eligible full-time employees in Hong Kong of our Group on a preferential basis are validly subscribed for and allocated to applicants under the **PINK** Application Forms, Pool A will comprise 7,965,000 Hong Kong Offer Shares and Pool B will comprise 7,965,000 Hong Kong Offer Shares, both of which are available on a fair

STRUCTURE OF THE SHARE OFFER

basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 7,965,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares less the Hong Kong Offer Shares initially available for subscription by eligible full-time employees in Hong Kong of our Group on a preferential basis (as more particularly described in the section headed “– Preferential Offer to Eligible Full-time Employees” below)).

Reallocation

The allocation of Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Hong Kong Public Offer, the total number of Shares available under the Hong Kong Public Offer will be increased to 53,100,000, 70,800,000 and 88,500,000 Shares, respectively, representing approximately 30% (in the case of (i)), approximately 40% (in the case of (ii)) and approximately 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Global Coordinator deems appropriate, and such additional Shares will be allocated to Pool A and Pool B equally.

If the Hong Kong Offer Shares are not fully subscribed, the Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Global Coordinator deems appropriate.

Applications

The Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offer.

STRUCTURE OF THE SHARE OFFER

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offer.

PREFERENTIAL OFFER TO ELIGIBLE FULL-TIME EMPLOYEES

Up to 1,770,000 Hong Kong Offer Shares, representing approximately 10% of the Offer Shares initially being offered under the Hong Kong Public Offer, approximately 1.0% of the Offer Shares and approximately 0.3% of the share capital of our Company upon completion of the Share Offer assuming the Over-allotment Option is not exercised, are available for subscription by eligible full-time employees in Hong Kong of our Group, excluding the directors or the chief executive of our Company or any of its subsidiaries, existing beneficial owners of the shares of our Company or any of its subsidiaries and their respective associates and/or connected persons, on a preferential basis. As at 30 June 2007, we had 55 full-time employees in Hong Kong who are eligible for the subscription. In the event of over-subscription on **PINK** Application Forms, the 1,770,000 Shares initially available to applicants on **PINK** Application Forms will be allocated to such applicants on a pro-rata basis on proportion (as nearly as possible without involving portions of a board lot) to the level of valid applications received from eligible employees, or balloted if there are insufficient Shares available to **PINK** Application Form applicants. If balloting is conducted, some eligible full-time employees may be allocated more Shares than others who have applied for the same number of Shares. No favour will be given to the employees who apply for a large number of Shares or any employees who held a senior position within our Group. Applications in excess of the 1,770,000 Shares initially available to applicants on **PINK** Application Forms will be rejected. Allocation of Hong Kong Offer Shares to applications made on **PINK** Application Forms will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules and, in case any exceptions are noted, an announcement will be made in accordance with Practice Note 20.

In case not all the 1,770,000 Shares are subscribed for by eligible full-time employees in Hong Kong of our Group, the under-subscribed Shares will be available for subscription by the public under the Hong Kong Public Offer.

STRUCTURE OF THE SHARE OFFER

THE INTERNATIONAL PLACING

Number of Offer Shares Offered

The number of Shares to be initially offered for subscription or sale under the International Placing will be 159,300,000 Shares (comprising 132,300,000 New Shares and 27,000,000 Sale Shares), representing approximately 90% of the Offer Shares under the Share Offer. The International Placing is subject to the Hong Kong Public Offer being unconditional.

Allocation

Pursuant to the International Placing, the International Underwriters will conditionally place our Shares with institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in section headed “– Pricing and Allocation” above and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

We have granted the Over-allotment Option to the International Underwriters, exercisable at the discretion of the Global Coordinator (on behalf of the International Underwriters) within 30 days from the last day for the lodging of applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, the Global Coordinator will have the right to require us to allot and issue up to an aggregate of 26,550,000 additional Shares representing in aggregate approximately 15% of the initial offer Shares, at the Offer Price, to cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$2.74 (being the mid-point of the Offer Price range of HK\$2.50 and HK\$2.98), our Company would receive additional net proceeds (after deducting commission and expenses attributable to the exercise of the Over-allotment Option) of approximately HK\$70.4 million. A press announcement will be made in the event that the Over-allotment Option is exercised.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allotments in connection with the Share Offer, the Global Coordinator may choose to borrow, whether on its own or through its Affiliates, up to 26,550,000 Shares from Prosper Well pursuant to the Stock Borrowing Agreement, or acquire Shares from other sources, including exercising the Over-allotment Option.

STRUCTURE OF THE SHARE OFFER

STABILISATION AND OVER-ALLOTMENT

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Global Coordinator, as stabilising manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Global Coordinator or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Global Coordinator and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 26,550,000 Shares, which is approximately 15% of the Shares initially available under the Share Offer.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Global Coordinator, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Global Coordinator, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Global Coordinator may have an adverse impact on the market price of the Shares;

STRUCTURE OF THE SHARE OFFER

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last business day immediately before the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Share Offer, the Global Coordinator may over-allocate up to and not more than an aggregate of 26,550,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by Global Coordinator on behalf of the International Underwriters (at the discretion of the Global Coordinator), or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, Global Coordinator may borrow up to 26,550,000 Shares from Prosper Well, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Public Offer Underwriting Agreement, subject to agreement on the Offer Price between the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date.

We expect that we will, on or about the Price Determination Date, enter into the Placing Underwriting Agreement relating to the International Placing.

Underwriting arrangements, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

STRUCTURE OF THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling our Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 2 November 2007, it is expected that dealings in our shares on the Stock Exchange will commence at 9:30 a.m. on Friday, 2 November 2007. Our Shares will be traded in board lots of 1,000 Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

There are two ways to make an application for the Hong Kong Offer Shares. You may either (i) use an Application Form; or (ii) **electronically** instruct HKSCC to cause HKSCC Nominees or via the **White Form eIPO** service to instruct eIPO Service Provider to apply for the Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO** service.

If you are an eligible full-time employee in Hong Kong of our Group, other than a director or the chief executive of our Company or any of its subsidiaries, existing beneficial owner of shares of our Company or any of its subsidiaries or an associate and/or connected person of any of them, and apply on a **PINK** Application Form, you may also apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form or by giving (who is a CCASS Investor Participant) or instructing your broker or custodian (who is a CCASS Broker/Custodian Participant) to give **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO** service.

1. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- outside the United States; and
- are not a US Person.

If you wish to apply for Hong Kong Offer Shares online through the designated website at **www.eipo.com.hk**, referred to herein as the “**White Form eIPO**” service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the White Form eIPO service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If an application is made by a person duly authorised under a valid power of attorney, the Global Coordinator (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We and the Global Coordinator, in their capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, our Directors, or chief executive officers or their respective associates or any other connected persons (as defined in the Listing Rules) of the Company or persons who will become our connected persons immediately upon completion of the Share Offer.

You should also note that you may apply for Shares under the Hong Kong Public Offer or indicate an interest for shares under the International Placing, but may not do both.

If you are an eligible full-time employee of our Company or any of its subsidiaries, other than a director or the chief executive of our Company or any of its subsidiaries, existing beneficial owner of shares of our Company or any of its subsidiaries or an associate of any of them, you can also apply for the Shares available for subscription by eligible full-time employees on a preferential basis.

2. APPLYING BY USING AN APPLICATION FORM

- Use a **WHITE** Application Form if you want the Shares issued in your own name;
- Use a **YELLOW** Application Form if you want the Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or
- Use a **PINK** Application Form if you are an eligible full-time employee in Hong Kong of our Group and want your application to be given preferential consideration. Up to 1,770,000 Hong Kong Offer Shares, representing approximately 10% of the Shares initially available for subscription under the Hong Kong Public Offer, are available to eligible full-time employees in Hong Kong of our Group on a preferential basis.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. WHERE TO COLLECT THE PROSPECTUS AND APPLICATION FORMS

You can collect a **WHITE** Application Form and this prospectus from:

- Any participant of the Stock Exchange;
- Any of the following addresses of the Hong Kong Underwriters;

DBS Asia Capital Limited at 22nd Floor, The Center, 99 Queen's Road Central, Hong Kong

BOCOM International Holdings Company Limited at 3rd Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong

CCB International Capital Limited at Suites 2815-21, 28th Floor, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong

Kingston Securities Limited at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

Sun Hung Kai International Limited at 1201, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

VC Brokerage Limited at 28th Floor, The Centrium, 60 Wynham Street, Central, Hong Kong

- or any of the following branches of **Bank of China (Hong Kong) Limited**:

District	Branch	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	Causeway Bay Branch	18 Percival Street, Causeway Bay
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
	King's Road Branch	131-133 King's Road, North Point
	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay

HOW TO APPLY FOR HONG KONG OFFER SHARES

District	Branch	Address
Kowloon	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Hung Hom (Eldex Industrial Building) Branch	21 Ma Tau Wai Road, Hung Hom
	Festival Walk Branch	Unit LG 256, Festival Walk, Kowloon Tong
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
New Territories	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Yuen Long Branch	102 - 108 Castle Peak Road, Yuen Long

Prospectuses and Application Forms will be available for collection at the above places during the following times:

Monday, 22 October 2007 – 9:00 a.m. to 5:00 p.m.
Tuesday, 23 October 2007 – 9:00 a.m. to 5:00 p.m.
Wednesday, 24 October 2007 – 9:00 a.m. to 5:00 p.m.
Thursday, 25 October 2007 – 9:00 a.m. to 12:00 noon

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 22 October 2007 till 12:00 noon on Thursday, 25 October 2007 from:

- the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.
- Your stockbroker may also have application forms and this prospectus available.

You can collect a **PINK** Application Form and a prospectus from our head office and principal place of business in Hong Kong at Flat F, 6th Floor, Mai Kei Industrial Building, No. 5 San Hop Lane, Tuen Mun, New Territories, Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. HOW TO COMPLETE THE APPLICATION FORMS

- (a) Obtain an Application Form as described in the section headed “3. Where to Collect the Prospectus and Application Forms”, above.
- (b) Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker’s cashier order(s) to you (or the first named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form. **PINK** Application Form applicants should apply in his or her own name.
- (c) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker’s cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker’s cashier order does not meet the requirements set out on the Application Form.
- (d) Lodge the Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to in paragraph (a) of the section headed “6. When May Applications be Made”, below.
- (e) You should note that by signing on the Application Form:
 - (i) you confirm that you have only relied on the information and representations in this prospectus and the Applications Form in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
 - (ii) you agree that we, our Directors, the Global Coordinator, the Underwriters and other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplement thereto;
 - (iii) you undertake and confirm that you (if the application is made for your benefit), or the person(s) for whose benefit you have made the application, have not indicated an interest for, applied for or taken up any of the International Placing Shares; and
 - (iv) you agree to disclose to our Company, our registrars, the receiving bankers, the Global Coordinator and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

In order for an application made on a **YELLOW** Application Form to be valid:

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

- (A) the designated CCASS Participant or its authorised signatories must sign in the appropriate box.
- (B) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(ii) If the application is made by an individual CCASS Investor Participant:

- (A) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and
- (B) the CCASS Investor Participant must insert its participant I.D. and a signature in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

- (A) the Application Form must contain all joint CCASS Investor Participants' names and Hong Kong Identity Card Numbers; and
- (B) the participant I.D. and authorised signature(s) of your stock account must be inserted in the appropriate box in the Application Form.

(iv) If the application is made by a corporate CCASS Investor Participant:

- (A) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Business Registration number; and
- (B) the participant I.D. and company chop (bearing its company name) endorsed by your authorised signature(s) must be inserted in the appropriate box in the Application Form.

Signature(s), number of signatories and form of chop, where appropriate, should match the record kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is made through a duly authorised attorney, we and Computershare Hong Kong Investor Services Limited as our agent may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and Computershare Hong Kong Investor Services Limited in their capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

5. (i) APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) General

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company, the Global Coordinator and our registrars.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) Application for Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees does the following on behalf of each such person:
 - (i) agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - (ii) undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - (iii) undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;
 - (iv) (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (v) (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
 - (vi) understands that the above declaration will be relied upon by us, our Directors and the Global Coordinator in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if he makes a false declaration;
 - (vii) authorises us to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic**

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application instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

- (viii) confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- (ix) confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus, and that person agrees that neither our Company, our Directors, the Global Coordinator, the Underwriters or any of the parties involved in the Share Offer will have any liability for any such other information or representation;
- (x) agrees that our Company, the Global Coordinator, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (xi) agrees to disclose that person's personal data to our Company, our registrar, receiving banker, the Global Coordinator, the Underwriters and any of their respective advisers and agents and any information which they may require about that person for whose benefit the application is made;
- (xii) agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- (xiii) agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before until the expiration of the fifth day after the opening of the application lists, except by means of one of the procedures referred to in this prospectus. However,

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HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- (xiv) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;
- (xv) agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- (xvi) agrees with our Company, for ourselves and for the benefit of each of our Shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Islands Companies Law, the Companies Ordinance and the Articles of Association; and
- (xvii) agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

(c) **Effect of giving electronic application instructions to HKSCC**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, and the related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies (in each case including brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

(d) Minimum Subscription Amount and Permitted Multiples

You may give or cause your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application for any other number or multiples of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

(e) Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

(f) Section 40 of the Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(g) Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by us, our registrars, receiving bankers, the Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

(h) Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Global Coordinator and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the Systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either:

- (i) submit a **WHITE** or **YELLOW** Application Form; or
- (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 25 October 2007, or such later time as described under the section headed “6. When May Applications be Made – (f) Effect of bad weather conditions on the opening of the application lists” below.

(ii) APPLYING THROUGH WHITE FORM EIPO

- (a) If you are an individual and meet the criteria set out above in “1. Who can apply for the Hong Kong Offer Shares”, you may apply through **White Form eIPO** by submitting an application to the eIPO Service Provider through the designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO** the Shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out in the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the eIPO Service Provider and may not be submitted to our Company.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (c) In addition to the terms and conditions set out in this Prospectus, the eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorised the eIPO Service Provider to transfer the details of your application to our Company and our registrars.
- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (f) You should give **electronic application instructions** through **White Form eIPO** at the times set out in paragraph (c) of the section headed “6. When may applications be made” below.
- (g) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, 25 October 2007, or such later time as described under the section headed “6.(f) Effect of bad weather conditions on the opening of the application lists” in the section headed below, the eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website www.eipo.com.hk.**
- (h) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.
- (i) **Warning:** The application for Hong Kong Offer Shares through **White Form eIPO** service is only a facility provided by the eIPO Service Provider to public investors. **Our Company, our Directors, the Global Coordinator and the Underwriters take no responsibility for such applications, and**

HOW TO APPLY FOR HONG KONG OFFER SHARES

provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the White Form eIPO service, you should submit a WHITE Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit another application. See “7. How many applications may be made” below.

6. WHEN MAY APPLICATIONS BE MADE

(a) Applications on WHITE or YELLOW Application Forms

Your completed WHITE or YELLOW Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of receiving bankers listed under the section headed “Where to Collect the Prospectus and Application Forms” above at the following times:

Monday, 22 October 2007 – 9:00 a.m. to 5:00 p.m.
Tuesday, 23 October 2007 – 9:00 a.m. to 5:00 p.m.
Wednesday, 24 October 2007 – 9:00 a.m. to 5:00 p.m.
Thursday, 25 October 2007 – 9:00 a.m. to 12:00 noon

Completed WHITE and YELLOW Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, 25 October 2007, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

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(b) Electronic Application Instructions to HKSCC via CCASS

CCASS Broker/Custodian Participants should input **electronic application instructions** at the following times on the following dates:

Monday, 22 October 2007 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 23 October 2007 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 24 October 2007 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 25 October 2007 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 22 October 2007 until 12:00 noon on Thursday, 25 October 2007 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** will be 12:00 noon on Thursday, 25 October 2007, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

(c) Electronic Application Instructions to eIPO Service Provider under White Form eIPO Service

You may submit your application to the eIPO Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Monday, 22 October 2007 until 11:30 a.m. on Thursday, 25 October 2007 or such later time as described under the paragraph headed “(f) Effect of bad weather conditions on the opening of the application lists” below (24 hours daily, except on the last application day).

The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 25 October 2007, the latest application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “6.(f) Effect of bad weather conditions on the opening of the application lists” below.

You will not be permitted to submit your application to the eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(d) Application on PINK Application Forms

Completed **PINK** Application Forms, together with payment attached, must be returned to Ms. Chan Wing, our company secretary at our head office and principal place of business in Hong Kong at Flat F, 6th Floor, Mai Kei Industrial Building, No. 5 San Hop Lane, Tuen Mun, New Territories, Hong Kong no later than 4:00 p.m. on Wednesday, 24 October 2007.

(e) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 25 October 2007, except as provided in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

Applicants should note that cheques or banker’s cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

(f) Effect of Bad Weather Conditions on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 25 October 2007. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. HOW MANY APPLICATIONS MAY BE MADE

Multiple applications or suspect multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Offer Shares only in the following circumstances:

- (a) **if you are a nominee**, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit; or

- (b) **if you are an eligible full-time employee** in Hong Kong of our Group, other than a director or the chief executive of our Company or any of its subsidiaries or existing beneficial owner of shares of our Company or any of its subsidiaries, or an associate and/or connected persons of any of them, and apply on a **PINK** Application Form, you may also apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form or by giving (who is a CCASS Investor Participant), or instructing your broker or custodian (who is a CCASS Broker/Custodian Participant) to give, **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO** service.

Otherwise, multiple applications are not allowed.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

For further information, please see the section headed “Terms and Conditions of the Hong Kong Public Offer – 5. Multiple Applications” in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$2.98 per Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 1,000 Hong Kong Offer Shares, you will pay HK\$3,010.07. The Application Forms have tables showing the exact amount payable for certain multiples of Hong Kong Offer Shares up to 7,965,000 Hong Kong Offer Shares.

You must pay the maximum Offer Price and related brokerage, SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Hong Kong Offer Shares. You must pay the amount payable upon application for Hong Kong Offer Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange, and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy collected by the Stock Exchange on behalf of the SFC).

9. PUBLICATION OF RESULTS, DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUNDS OF APPLICATION MONIES

(a) Publication of results

We expect to announce the final Offer Price, the level of indication of interest in the International Placing and the basis of allotment of the Hong Kong Offer Shares on Thursday, 1 November 2007 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

Results of allocations in the Hong Kong Public Offer, including the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants (where supplied) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, by giving **electronic application instructions** to HKSCC via CCASS or to the eIPO Service Provider under the **White Form eIPO**, will be made available at the times and dates and in the manner specified below:

- results of allocations will be available from the Company's website at **www.mingfaigroup.com** on a 24-hour basis from 8:00 a.m. on Thursday, 1 November 2007 to 12:00 midnight on Wednesday, 7 November 2007;
- results of allocations will be available from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 1 November 2007 to Sunday, 4 November 2007;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- results of allocations will be available from our Hong Kong Public Offer website at **www.iporeresults.com.hk** on a 24-hour basis from 8:00 a.m. Thursday, 1 November 2007 to 12:00 midnight on Wednesday, 7 November 2007. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result; and
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and subbranches from Thursday, 1 November 2007 to Saturday, 3 November 2007 at all the receiving bank branches and sub-branches at the addresses set out in the section headed “How to Apply for Hong Kong Offer Shares – 3. Where to Collect the Prospectus and Application Forms” in this prospectus.

(b) Dispatch/collection of share certificates and refund cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, or if the conditions of the Share Offer are not fulfilled in accordance with the section headed “Structure of the Share Offer – Conditions of the Hong Kong Public Offer” or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy, and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary document of title will be issued in respect of the Hong Kong Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form or by means of **White Form eIPO service**, subject as mentioned below, in due course, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form or given via online application:

- (a) (i) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose share certificates will be deposited into CCASS as described below); and/or
- (b) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference

HOW TO APPLY FOR HONG KONG OFFER SHARES

between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including related brokerage fee at the rate of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% but without interest.

Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject as mentioned below, refund cheque for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates for successful applicants under **WHITE** Application Forms or through **White Form eIPO** service are expected to be posted on or before Thursday, 1 November 2007. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

If you apply by giving **electronic application instructions** to HKSCC, and your application is wholly or partially successful:

- (a) your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Thursday, 1 November 2007 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees; and
- (b) refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Public Offer Share paid on application, in each case including the related brokerage fee of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 1 November 2007. No interest will be paid thereon.

If you apply using a WHITE Application Form:

If you have applied for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from our Hong Kong branch share registrar, Computershare Hong Kong Investor

HOW TO APPLY FOR HONG KONG OFFER SHARES

Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 1 November 2007. If you are an individual, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your company chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) and share certificate(s) within the time period specified for collection, they will be dispatched thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Forms that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer – Conditions of the Hong Kong Public Offer" in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Thursday, 1 November 2007 by ordinary post and at your own risk.

If you apply using a YELLOW Application Form:

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Thursday, 1 November 2007, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer on Thursday, 1 November 2007 in the manner described in the paragraph headed "9. Publication of Results, Despatch/Collection of Share Certificates and Refund of Application Monies – Publication of results" above. You should check the results published by us and report any discrepancies to HKSCC before 5:00 p.m. on

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Thursday, 1 November 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the public offer shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Forms that you will collect your refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares and if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer – Conditions of the Hong Kong Public Offer" in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee, SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Thursday, 1 November 2007 by ordinary post and at your own risk.

If you apply through HKSCC Nominees

If you apply by giving **electronic application instructions** through HKSCC Nominees, we will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the newspapers on Thursday, 1 November 2007. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 1 November 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 1 November 2007. Immediately

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following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

If you apply using a PINK Application Form

If you apply on a **PINK** Application Form, the Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address on your Application Form on Thursday, 1 November 2007 by ordinary post and at your own risk.

If you apply through WHITE FORM eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the eIPO Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 1 November 2007, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/ refund cheques.

If you do not collect your Share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the eIPO Service Provider on Thursday, 1 November 2007 by ordinary post and at your own risk.

Please also note that the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the eIPO Service Provider set out in “**10. Additional information for applicants applying through White Form eIPO**” under the section headed “Terms and Conditions of the Hong Kong Public Offer”.

Refund of application monies

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

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If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage fee of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, we will refund to you the surplus application monies, together with the related brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of refund will be retained for our benefit.

In a contingency situation involving a substantial over-application, at the discretion of us and the Global Coordinator, cheques for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Thursday, 1 November 2007 in accordance with the various arrangements as described above.

Shares will be eligible for CCASS

Subject to the granting of listing of, and permission to deal in, the shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the shares to be admitted into CCASS.

Commencement of dealings in the Shares

- Dealings in the Shares on the Stock Exchange are expected to commence at 9:30 a.m. on Friday, 2 November 2007.
- The Shares will be traded in board lots of 1,000 Shares.

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1. GENERAL

- (a) If you apply for Hong Kong Offer Shares in the Hong Kong Public Offer, you will be agreeing with the Company and the Global Coordinator (on behalf of the Hong Kong Underwriters) as set out below.
- (b) If you give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.
- (c) In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees is applying for Hong Kong Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.
- (d) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the Application Forms or imposed by HKSCC prior to making any application for Hong Kong Offer Shares.

2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES

- (a) You offer to purchase from us at the Offer Price the number of the Hong Kong Offer Shares indicated in your Application Form or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO** service (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus, the relevant Application Form and the additional information provided by the eIPO Service Provider on the designated website www.eipo.com.hk for the **White Form eIPO** service.
- (b) For applicants using Application Forms and through **White Form eIPO** service, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form on or before Thursday, 1 November 2007.

Details of the procedure for refunds relating to each of the Hong Kong Public Offer methods are contained below in the paragraphs headed “If your application for Hong Kong Offer Shares is successful (in whole or in part)”, “Refund of

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application monies”, “Additional information for applicants applying by giving **electronic application instructions** to HKSCC” and “Additional information for applicants applying through **White Form eIPO**” in this section.

- (c) Any application may be rejected in whole or in part.
- (d) Applicants under the Hong Kong Public Offer should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

3. ACCEPTANCE OF YOUR OFFER

- (a) The Hong Kong Offer Shares will be allocated after the application lists close. We expect to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offer and the basis of allocations of the Hong Kong Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, 1 November 2007.
- (b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offer, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong Business Registration numbers (where applicable) of successful applicants and the number of Hong Kong Offer Shares successfully applied for, will be made available on Thursday, 1 November 2007 in the manner described in the section headed “How to apply for Hong Kong Offer Shares – 9. Publication of results, despatch/collection of share certificates and refunds of application monies” in this prospectus.
- (c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Share Offer are satisfied or the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure of the Share Offer” in this prospectus.
- (e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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4. EFFECT OF MAKING ANY APPLICATION

(a) By completing and submitting any Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- **instruct** and **authorise** us, the Global Coordinator and the Underwriters (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by our Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by our Articles of Association;
- **represent, warrant** and **undertake** that you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States when completing the Application Form and are not a US person ;
- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation save as set out in any supplement to this prospectus;
- **agree** that we, the Global Coordinator, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplement to this prospectus;
- without prejudice to any other rights which you may have, **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- if the application is made for your own benefit, **warrant** that the application is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **WHITE Form eIPO** Service (other than an application (if any) made on a **PINK** Application Form in the capacity as an eligible full-time employee of our Group in Hong Kong);

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- if the application is made by an agent on your behalf, **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- if you are an agent for another person, **warrant** that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated eIPO Service Provider under the **White Form eIPO** service and that you are duly authorised to sign the Application Form as that other person's agent;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any of the International Placing Shares, nor otherwise participate in the International Placing;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorise** us to place your name(s) or HKSCC Nominees, as the case may be, on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and us and/or our agents to send any Share certificate(s) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form you will collect your Share certificates and refund cheque (where applicable) in person);
- **agree** to disclose to us, our registrar, the receiving banker, the Global Coordinator, the Underwriters and their respective advisers and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made the application;
- **understand** that these declarations and representations will be relied upon by us, the Global Coordinator and the Underwriters in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application;

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- if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of us, the Global Coordinator and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;
 - **agree** with us and each Shareholder, and we agree with each of the Shareholders, to observe and comply with the Cayman Islands Companies Law, the Companies Ordinance, our Memorandum of Association and our Articles of Association;
 - **agree** that the processing of your application, including the despatch of refund cheque(s) (if any), may be done by our receiving banker;
 - **agree** with us and each Shareholder that the Hong Kong Offer Shares are freely transferable by the holders thereof; and
 - **authorise** us to enter into a contract on your behalf with each Director and our officer whereby such Directors and officers undertake to observe and comply with their obligations to Shareholders stipulated in our Articles.
- (b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) **agree** that:
- any Hong Kong Offer Shares allotted to you shall be issued in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;
 - each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; and (3) to cause such allotted Hong Kong Offer Shares to be issued in your name (or, if you are joint applicants, in the name of the first-named applicant) and in such a case, to post the Share certificates for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;
 - each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;

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- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
 - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:
- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
 - instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Offer Price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and
 - (where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares) in addition to the confirmations and agreements set out in paragraph (a), above, instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it has stated to do on your behalf in the **WHITE** Application Form, and the following:
 - agree that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf or your CCASS Investor Participant stock account;
 - undertake and agree to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
 - (if the **electronic application instructions** are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

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- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the benefit of that other person and that you are duly authorised to give those instructions as that other person's agent;
- understand that the above declaration will be relied upon by us, the Directors and the Global Coordinator in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;
- authorise us to place the name of HKSCC Nominees on our register of members as the holder of the Hong Kong Offer Shares allotted in respect of your **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your broker or custodian to give **electronic application instructions** on your behalf;
- agree (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf pursuant to the **electronic application instructions** given by you is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person until the expiration of the fifth day after opening of the application lists, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

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- agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by us;
 - agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares.
- (d) We, the Selling Shareholders, the Global Coordinator, the Underwriters and their respective directors, officers, employees, partners, agents and advisers and any other parties involved in the Share Offer are entitled to rely on any warranty, representation or declaration made by you in your application.
- (e) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

5. MULTIPLE APPLICATIONS

- (a) It will be a term and condition of all applications that by completing and delivering an Application Form, you:
- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO** service;
 - If you are an eligible full-time employee in Hong Kong of our Group, warrant that this is the only application which will be made on a **PINK** Application Form; or
 - (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO** service and that you are duly authorised to sign the Application Form or submit **White Form eIPO** as that other person's agent.

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- (b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO** service;
 - both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO** service;
 - apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO** service for more than 7,965,000 Hong Kong Offer Shares, being 50% of the Shares, initially offered for public subscription under the Hong Kong Public Offer less the maximum number of Hong Kong Offer Shares available for subscription by eligible full-time employees in Hong Kong of our Group on a preferential basis, as more particularly described in the section headed “Structure of the Share Offer – The Hong Kong Public Offer”; or
 - have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the International Placing.
- (c) All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and
- the principal business of that company is dealing in securities; and
 - you exercise statutory control over that company,

then the application will be treated as being for your benefit.

For these purposes:

“Unlisted company” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of that company; or

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- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you or your application is liable to be rejected:

- (a) If your application is revoked:

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked before the fifth day after the time of the opening of application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person until the expiration of the fifth day after opening of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may be revoked before the fifth day after the time of the opening of application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press

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of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- (b) If we, the Global Coordinator or their respective agents exercise their discretion to reject your application:

We and the Global Coordinator (as agent for our Company), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

- (c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list and deal in the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing of the application lists.

- (d) If:

- you make multiple applications or suspected multiple applications;
- you or the person(s) for whose benefit you apply have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Placing. By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO** service, you agree not to apply for Offer Shares in the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer;
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider under the **White Form eIPO** service for more than 7,965,000 Hong Kong Offer Shares, being 50% of the Shares, initially offered for public subscription under the Hong Kong Public Offer less the maximum number of Hong Kong Offer Shares available for subscription by

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eligible full-time employees in Hong Kong of our Group on a preferential basis, as more particularly described in the section headed “Structure of the Share Offer – The Hong Kong Public Offer”; or

- your payment is not made correctly or you pay by cheque or banker’s cashier order and the cheque or banker’s cashier order is dishonored upon its first presentation;
- your Application Form is not completed correctly and in accordance with the instructions;
- either of the Underwriting Agreements do not become unconditional in accordance with their respective terms;
- either of the Underwriting Agreements are terminated in accordance with their respective terms; or
- we and/or the Global Coordinator believe that by accepting your application, they would violate the applicable securities or other laws, rules or regulations.

7. IF YOUR APPLICATION FOR HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

No temporary document of title will be issued in respect of the Shares.

No receipt will be issued for sums paid on application.

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 2 November 2007 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the section headed “Underwriting – Underwriting Arrangements and Expenses - Grounds for Termination” in this prospectus has not been exercised.

(a) If you apply using a **WHITE** Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your Share certificate(s) and/or refund cheque (where applicable) from Computershare Hong Kong Investor Services Limited (“Computershare”) and have provided all information required by the Application Form, you may collect it/them in person from Computershare at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 1 November 2007 or such other date as notified by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch/collection of Share certificates/refund cheques.

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If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare.

If you do not collect your refund cheque(s) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on Thursday, 1 November 2007, by ordinary post and at your own risk.

- (b) If you apply using a **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC:

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on your Application Form or electronically (as the case may be)) at the close of business on Thursday, 1 November 2007, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** Application Form for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant on a **YELLOW** Application Form, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Thursday, 1 November 2007. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 1 November 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone

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System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same procedure, as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Thursday, 1 November 2007, by ordinary post and at your own risk.

If you have given **electronic application instructions** to HKSCC, we expect to make available the application results of the Hong Kong Public Offer, including the results of CCASS Participants' applications (and in the case of CCASS Broker Participants and CCASS Custodian Participants, we shall include information relating to the beneficial owner), your Hong Kong Identity Card number or passport number or Hong Kong Business Registration number or other identification code (as appropriate) and the basis of allotment of the Hong Kong Public Offer in the manner described the section headed "How to apply for Hong Kong Offer Shares – 9. Publication of results, despatch/collection of share certificates and refunds of application monies" in this prospectus on Thursday, 1 November 2007. You should check the results made available by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 1 November 2007 or any other date HKSCC or HKSCC Nominees Limited chooses.

If you are instructing your CCASS Broker Participant or CCASS Custodian Participant to give **electronic application instructions** to HKSCC on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (where applicable) payable to you with that CCASS Broker Participant or CCASS Custodian Participant.

If you are applying as a CCASS Investor Participant by giving **electronic application instruction** to HKSCC, you can also check the number of the Hong Kong Offer Shares allotted to you and the amount of refund (where applicable) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 1 November 2007. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (where applicable).

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- (c) If you apply using a **PINK** Application Form:

The Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address on your Application Form shortly after the date of despatch, which is expected to be on Thursday, 1 November 2007, by ordinary post and at your own risk.

- (d) If you apply through **WHITE Form eIPO**

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the eIPO Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 1 November 2007, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/refund cheques.

If you do not collect your Share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the eIPO Service Provider on Thursday, 1 November 2007 by ordinary post and at your own risk.

Please also note that the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the eIPO Service Provider set out in "10. Additional information for applicants applying through White Form eIPO" below.

8. REFUND OF APPLICATION MONIES

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Hong Kong Offer Shares for any of the reasons set out above in the section headed "– 6. Circumstances in which you will not be allotted Hong Kong Offer Shares" in this prospectus;

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- the Offer Price as finally determined is less than the Offer Price of HK\$2.98 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application;
- the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed “Structure of the Share Offer – Conditions of the Hong Kong Public Offer” in this prospectus; or
- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Global Coordinator, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Thursday, 1 November 2007 in accordance with the various arrangements as described herein. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate. All refunds will be made by a cheque crossed “Account Payee Only” made out to you, or if you are joint applicants, to the first-named applicant. Part of your Hong Kong Identity Card number or passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data will also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number or passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

9. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

(b) Deposit of Share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.

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- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Thursday, 1 November 2007, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the results of CCASS Participant (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), together with your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations, if supplied) and the results of allocations in the Hong Kong Public Offer through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares – 9(a). Publication of Results” in this prospectus. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 1 November 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 1 November 2007. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Offer Price per share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 1 November 2007. No interest will be paid thereon.

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10. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH WHITE FORM eIPO

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through **White Form eIPO** service to the eIPO Service Provider through the designated website will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the eIPO Service Provider, the eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the eIPO Service Provider on the designated website **www.eipo.com.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in the paragraph headed “8. Refund of Application Monies” shall be made pursuant to the arrangements described above.

11. PERSONAL DATA

Personal Information Collection Statement

The main provisions of the Hong Kong Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20 December, 1996. This Personal Information Collection Statement informs the applicant for and holder of our Shares of the policies and practices of our Company and our Share registrars in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for our securities or registered holders of our securities to supply their latest correct personal data to us and our Share registrar when applying for our securities or transferring our securities into or out of their names or in procuring the services of the registrars. Failure to supply the requested data may result in your application for our securities being rejected or in delay or inability of our Company or the share registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) and/or refund cheque(s) (where applicable) to which you are entitled.

It is important that holders of securities inform us and our Share registrar immediately of any inaccuracies in the personal data supplied.

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(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with, including making disclosure as required, by all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating our registers of holders of securities;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements, such as dividends, rights issues and bonus issues;
- distributing communications from us and our subsidiaries;
- compiling statistical information and shareholder profiles;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and our share registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by us and our Share registrar relating to the applicants and the holders of securities will be kept confidential but we and our Share registrar, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- we or our respective appointed agents such as financial advisers, receiving bankers and overseas principal registrars;

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFER

- HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the securities to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our share registrar in connection with the operation of our or their business;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies;
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

By signing an Application Form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

(d) Access to and correction of personal data

The Ordinance provides the holders of securities with rights to ascertain whether we or our Share registrar hold(s) their personal data, to obtain a copy of that data, and to correct any data that is inaccurate.

In accordance with the Ordinance, we and our Share registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to us, at our head office and principal place of business in Hong Kong as disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time in accordance with applicable law, for the attention of our company secretary, or our share registrar for the attention of the privacy compliance officer.

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.



羅兵咸永道會計師事務所

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

The Directors
Ming Fai International Holdings Limited

DBS Asia Capital Limited

22 October 2007

Dear Sirs,

We set out below our report on the financial information relating to Ming Fai International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 22 October 2007 (the “Prospectus”) in connection with the initial public offering of the shares of the Company and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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. Pursuant to a group reorganisation as detailed in Note 1(b) of Section II headed “Reorganisation” below (the “Reorganisation”), which was completed on 5 October 2007, the Company became the holding company of the subsidiaries now comprising the Group.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and the associated company as set out in Note 1(a) of Section II below. All of these companies are private companies.

No audited financial statements have been prepared for the Company as it was newly incorporated and has not been involved in any significant business transactions since its date of incorporation other than the Reorganisation. Details of the financial statements of the companies comprising the Group that are subject to audit and the names of respective auditors are set out in Note 1(a) of Section II below. All companies comprising the Group have adopted 31 December as their financial year end date.

For the purpose of this report, the directors of the Company have prepared combined financial statements of the companies comprising the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements for each of the years

ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Respective responsibilities of directors and reporting accountants

The financial information as set out in Sections I to III below (the “Financial Information”) has been prepared based on the Underlying Financial Statements, on the basis set out in Note 2 of Section II below.

The directors of the respective companies comprising the Group, during the Relevant Periods, are responsible for preparing the respective financial statements which give a true and fair view. The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, it is our responsibility to express an independent opinion, based on our examination, on the financial information and to report our opinion to you. We examined the Underlying Financial Statements and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

For the financial information for the six months ended 30 June 2006, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the HKICPA. A review consists principally of making enquiries of the group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the six months ended 30 June 2006.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, for the purpose of this report and prepared on the basis set out in Note 2 of Section II below, gives a true and fair view of the state of affairs of the Company as at 30 June 2007 and of the combined state of affairs of the Group as at 31 December 2004, 2005 and 2006 and 30 June 2007 and of the Group's combined results and cash flows for the years/period then ended.

On the basis of our review which does not constitute an audit, for the purpose of this report and prepared on the basis set out in Note 2 of Section II below, we are not aware of any material modifications that should be made to the financial information for the six months ended 30 June 2006.

I. FINANCIAL INFORMATION

COMBINED BALANCE SHEETS

	<i>Note</i>	As at 31 December			As at
		2004	2005	2006	30 June
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2007
				<i>HK\$'000</i>	
ASSETS					
Non-current assets					
Leasehold land and land use rights	7	4,639	4,531	7,605	10,804
Property, plant and equipment	8	91,503	102,833	108,834	114,639
Intangible assets	9	441	791	731	679
Investment in an associated company	10	–	–	120	160
Deferred income tax assets	11	1,845	1,933	2,800	4,567
		<u>98,428</u>	<u>110,088</u>	<u>120,090</u>	<u>130,849</u>
Current assets					
Inventories	12	34,372	43,825	55,829	61,243
Trade and bills receivables	13	69,616	101,774	158,636	167,298
Amount due from an associated company	10	–	–	484	341
Deposits, prepayments and other receivables	16	4,434	6,404	11,597	21,265
Restricted cash	17	17,169	17,469	16,095	10,963
Cash and cash equivalents	18	10,833	15,504	42,869	46,388
		<u>136,424</u>	<u>184,976</u>	<u>285,510</u>	<u>307,498</u>
Total assets		<u>234,852</u>	<u>295,064</u>	<u>405,600</u>	<u>438,347</u>
EQUITY					
Capital and reserve attributable to the equity holders of the Company					
Owners' equity	19	<u>93,345</u>	<u>114,008</u>	<u>164,556</u>	<u>227,377</u>
Total equity		<u>93,345</u>	<u>114,008</u>	<u>164,556</u>	<u>227,377</u>

	<i>Note</i>	As at 31 December			As at
		2004	2005	2006	30 June
		HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000	
LIABILITIES					
Non-current liabilities					
Borrowings	20	191	4,997	–	–
Deferred income tax liabilities	11	494	454	345	331
		<u>685</u>	<u>5,451</u>	<u>345</u>	<u>331</u>
Current liabilities					
Trade and bills payables	21	44,346	63,426	81,909	81,299
Accruals and other payables		16,696	26,835	42,614	56,273
Amounts due to shareholders	15	10,847	19,185	32,686	35,210
Amounts due to related parties	14	19,920	31,292	34,994	14,746
Current income tax liabilities		8,527	5,568	16,474	17,941
Borrowings	20	20,486	29,299	8,022	5,170
Dividends payable		20,000	–	24,000	–
		<u>140,822</u>	<u>175,605</u>	<u>240,699</u>	<u>210,639</u>
Total liabilities		<u>141,507</u>	<u>181,056</u>	<u>241,044</u>	<u>210,970</u>
Total equity and liabilities		<u>234,852</u>	<u>295,064</u>	<u>405,600</u>	<u>438,347</u>
Net current (liabilities)/ assets		<u>(4,398)</u>	<u>9,371</u>	<u>44,811</u>	<u>96,859</u>
Total assets less current liabilities		<u>94,030</u>	<u>119,459</u>	<u>164,901</u>	<u>227,708</u>

COMBINED INCOME STATEMENTS

	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2006	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(Unaudited)</i>	
Revenue	6	350,717	507,387	687,406	313,286	383,207
Cost of sales	22	<u>(248,159)</u>	<u>(371,171)</u>	<u>(492,100)</u>	<u>(223,722)</u>	<u>(265,474)</u>
Gross profit		102,558	136,216	195,306	89,564	117,733
Distribution costs	22	(32,389)	(35,255)	(44,063)	(20,990)	(25,741)
Administrative expenses	22	(32,511)	(32,096)	(40,056)	(15,907)	(20,607)
Other income	23	<u>177</u>	<u>647</u>	<u>1,617</u>	<u>767</u>	<u>1,019</u>
Operating profit		37,835	69,512	112,804	53,434	72,404
Finance costs	26	(1,845)	(1,011)	(1,756)	(1,222)	(241)
Share of profit of an associated company	10	<u>–</u>	<u>–</u>	<u>12</u>	<u>4</u>	<u>40</u>
Profit before income tax		35,990	68,501	111,060	52,216	72,203
Income tax expenses	27	<u>(9,533)</u>	<u>(13,499)</u>	<u>(18,706)</u>	<u>(9,637)</u>	<u>(12,461)</u>
Profit for the year/period attributable to equity holders of the Company		<u>26,457</u>	<u>55,002</u>	<u>92,354</u>	<u>42,579</u>	<u>59,742</u>
Dividends declared	29	<u>23,000</u>	<u>35,000</u>	<u>49,000</u>	<u>15,000</u>	<u>–</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				
	Combined capital	Statutory reserves	Exchange reserve	Retained earnings	Total
	<i>Note 19 (i)</i> HK\$'000	<i>Note 19 (ii)</i> HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2004	26,000	–	(1,355)	30,044	54,689
Profit for the year	–	–	–	26,457	26,457
Currency translation differences	–	–	199	–	199
Dividends (<i>Note 29</i>)	–	–	–	(23,000)	(23,000)
Issuance of registered capital of a company comprising the Group	35,000	–	–	–	35,000
Balance at 31 December 2004	61,000	–	(1,156)	33,501	93,345
Profit for the year	–	–	–	55,002	55,002
Currency translation differences	–	–	661	–	661
Dividends (<i>Note 29</i>)	–	–	–	(35,000)	(35,000)
Balance at 31 December 2005	61,000	–	(495)	53,503	114,008
Profit for the year	–	–	–	92,354	92,354
Profit appropriation to statutory reserves	–	2,101	–	(2,101)	–
Currency translation differences	–	–	2,194	–	2,194
Dividends (<i>Note 29</i>)	–	–	–	(49,000)	(49,000)
Issuance of new shares of a company comprising the Group	5,000	–	–	–	5,000
Balance at 31 December 2006	66,000	2,101	1,699	94,756	164,556
Profit for the period	–	–	–	59,742	59,742
Currency translation differences	–	–	3,069	–	3,069
Issuance of new shares of companies comprising the Group	10	–	–	–	10
Balance at 30 June 2007	<u>66,010</u>	<u>2,101</u>	<u>4,768</u>	<u>154,498</u>	<u>227,377</u>
<i>For the six months ended 30 June 2006 (Unaudited)</i>					
Balance at 1 January 2006	61,000	–	(495)	53,503	114,008
Profit for the period	–	–	–	42,579	42,579
Currency translation differences	–	–	358	–	358
Dividends (<i>Note 29</i>)	–	–	–	(15,000)	(15,000)
Issuance of new shares of a company comprising the Group	5,000	–	–	–	5,000
Balance at 30 June 2006	<u>66,000</u>	<u>–</u>	<u>(137)</u>	<u>81,082</u>	<u>146,945</u>

COMBINED CASH FLOW STATEMENTS

	Note	Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2006	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)
Cash flows from operating activities						
Cash generated from operations	30(a)	44,718	68,432	91,738	28,171	69,858
Interest paid		(1,845)	(1,011)	(1,756)	(1,222)	(241)
Income tax paid		(5,218)	(16,550)	(8,797)	(8,321)	(12,833)
Net cash generated from operating activities		37,655	50,871	81,185	18,628	56,784
Cash flows from investing activities						
Purchases of property, plant and equipment ("PPE")		(15,190)	(22,812)	(19,943)	(7,472)	(10,932)
Purchase of leasehold land and land use rights		(470)	–	(3,797)	(1,386)	(3,030)
Proceeds from sale of PPE	30(b)	7	28	65	30	3
Purchases of intangible assets		(30)	(450)	(44)	–	–
Advance to acquire an associated company		–	(108)	–	–	–
Interest received		38	366	743	381	562
Net cash used in investing activities		(15,645)	(22,976)	(22,976)	(8,447)	(13,397)
Cash flows from financing activities						
Proceeds from capital injections		10,000	25,000	5,000	1,000	10
Net (repayments of)/proceeds from loans from related parties	32(e)	(18,886)	(15,309)	707	(2,067)	(17,294)
Net proceeds from loans from shareholders	32(e)	8,814	8,134	13,203	(13)	2,254
Proceeds from borrowings	30(c)	39,210	51,964	29,452	22,685	8,758
Repayments of borrowings	30(c)	(42,343)	(44,084)	(49,987)	(20,330)	(11,610)
Dividends paid		(3,000)	(55,000)	(25,000)	–	(24,000)
Net cash (used in)/generated from financing activities		(6,205)	(29,295)	(26,625)	1,275	(41,882)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts						
Cash, cash equivalents and bank overdrafts at the beginning of the year/period		(5,190)	10,833	9,765	9,765	42,869
Exchange gains on cash, cash equivalents and bank overdrafts		218	332	1,520	467	2,014
Cash, cash equivalents and bank overdrafts at the end of the year/period	18	<u>10,833</u>	<u>9,765</u>	<u>42,869</u>	<u>21,688</u>	<u>46,388</u>

II. NOTES TO THE FINANCIAL INFORMATION

1 General Information and Reorganisation

(a) General information

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 offices of M&C Corporate Services Limited, PO Box 309GT, Uglad House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and sales of amenity products and accessories.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries and associated company:

Name of company	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued/ paid-in capital	Equity interest attributable to the Group	Names of auditors			
					2004	2005	2006	
Subsidiaries								
1	Ming Fai Holdings Limited	British Virgin Islands; 08/05/2007	Investment holding; Hong Kong	US\$2	100%	Note iii	Note iii	Note iii
2	Ming Fai Plastic Enterprise Company Limited (formerly known as "Ming Fai International Investments Holdings Limited")	Hong Kong; 07/12/2006	Investment holding; Hong Kong	HK\$10,000	100%	Note ii	Note ii	Note ii
3	Pacific Harvest International Limited	Hong Kong; 23/03/2006	Investment holding; Hong Kong	HK\$5,000,000	100%	Note ii	Note ii	Note iv
4	Quality Amenities Supply Limited	Hong Kong; 18/06/2003	Trading of amenity products and accessories; Hong Kong	HK\$1,000,000	100%	Note v	Note v	Note iv
5	Ming Fai Asia Pacific Company Limited (formerly known as "Ming Fai Group Holdings Limited")	Hong Kong; 15/05/2002	Trading of amenity products and accessories; Hong Kong	HK\$10,000,000	100%	Note v	Note v	Note iv
6	Ming Fai Enterprise International Company Limited (Note i)	Hong Kong; 09/05/2001	Trading of amenity products and accessories; Hong Kong	HK\$3	100%	Note v	Note v	Note iv
7	Ming Fai Enterprise (Shenzhen) Company Limited 明輝實業(深圳)有限公司	People's Republic of China ("PRC"); 07/09/1992	Manufacturing and sales of amenity products and accessories; PRC	HK\$50,000,000	100%	Note vi	Note vi	Note vi
8	Quality Amenities Supply Pte. Ltd	Singapore; 09/02/2004	Trading of amenity products and accessories; Singapore	SG\$2	100%	Note vii	Note vii	Note vii
9	Luoding Quality Amenities Company Limited 羅定市品質旅遊用品有限公司	PRC; 01/08/2006	Manufacturing and sales of amenity products and accessories; PRC	US\$2,000,000	100%	Note ii	Note ii	Note viii

Name of company	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued/ paid-in capital	Equity interest attributable to the Group	Names of auditors			
					2004	2005	2006	
10	Associated company Quality Amenities Supply (M) Sdn. Bhd.	Malaysia: 28/09/2005	Trading and distribution of amenity products and accessories; Malaysia	MYR100,000	50%	Note ii	Note ii	Note ix

All the subsidiaries established in the PRC are wholly-owned foreign enterprises.

Note i: Pursuant to a board resolution of Ming Fai Enterprise International Company Limited dated 1 November 2006, in order to conform with the financial year end date of the majority of the entities that comprised the Group and that of the Company, the financial year end of Ming Fai Enterprise International Company Limited was changed from 31 March to 31 December. The audited statutory financial statements of Ming Fai Enterprise International Company Limited reported herein are for the years ended 31 March 2004, 2005 and 2006. Audited statutory financial statements for the nine months ended 31 December 2006 were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

Note ii: No audited financial statements are prepared for these companies as they were newly set-up/acquired in 2006.

Note iii: No audited financial statements are prepared for these companies as they were newly set-up in 2007.

Note iv: PricewaterhouseCoopers, Certified Public Accountants, Hong Kong

Note v: Chan, Li, Law & Co.

Note vi: Shenzhen Yida Certified Public Accountants Co., Ltd.

Note vii: Christopher Chan & Associates, Certified Public Accountants

Note viii: Luoding ShuangLong Certified Public Accountants Co., Ltd.

Note ix: CC POH & Co.

(b) Reorganisation

The details of the Reorganisation for the purpose of the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited are as follows:

- (i) On 2 August 2007, Ming Fai Holdings Limited, a company newly incorporated on 8 May 2007 and owned by Mr. Ching Chi Fai and Mr. Ching Chau Chung, acquired the entire equity interest of Ming Fai Asia Pacific Company Limited (formerly known as "Ming Fai Group Holdings Limited") by issuing 29 new shares to each of Mr. Ching Chi Fai and Mr. Ching Chan Chung, its then shareholders;
- (ii) On 7 June 2007, Ming Fai Holdings Limited acquired the entire equity interest of Quality Amenities Supply Limited by issuing 1 new share to each of Mr. Ching Chau Chung and Mr. Ching Chi Fai. Well City Holdings Corporation ("Well City") and Felix Group Limited ("Felix"), the then shareholders of Quality Amenities Supply Limited, are companies controlled by Mr. Ching Chau Chung and Mr. Ching Chi Fai, respectively;
- (iii) On 10 July 2007, Ming Fai Holdings Limited acquired the entire equity interest of Ming Fai Enterprise International Company Limited by issuing 4 new shares to each of Mr. Ching Chi Fai, Mr. Ching Chan Chung and Mr. Ching Chi Keung;

- (iv) On 28 May 2007, Ming Fai Holdings Limited acquired the entire equity interest of Ming Fai Plastic Enterprise Company Limited (formerly known as “Ming Fai International Investments Holdings Limited”) by issuing 1 new share to each of Mr. Ching Chau Chung and Mr. Ching Chi Fai. Well City and Felix are the then shareholders of Ming Fai Plastic Enterprise Company Limited;
- (v) On 7 June 2007, Ming Fai Plastic Enterprise Company Limited acquired the entire equity interest of Ming Fai Enterprise (Shenzhen) Company Limited in consideration of HK\$79 million from Ming Fai Plastic Industrial Co. Subsequently on 4 September 2007, Ming Fai Holdings Limited, Ming Fai Plastic Enterprise Company Limited and Ming Fai Plastic Industrial Co entered into an agreement in relation to the settlement of HK\$79 million, being the consideration of the acquisition of the entire equity interest of Ming Fai Enterprise (Shenzhen) Company Limited by way of issuance and allotment of 4 new shares in Ming Fai Holdings Limited to each of Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung. Ming Fai Plastic Industrial Company is jointly established by Mr. Ching Chau Chung, Mr. Ching Chi Fai and Mr. Ching Chi Keung as a partnership;
- (vi) On 18 June 2007, Ming Fai Holdings Limited acquired the entire equity interest of Pacific Harvest International Limited by issuing 6 new shares to each of Mr. Ching Chau Chung and Mr. Ching Chi Fai. Gembright Investments Limited (“Gembright”), Mr. Ching Chau Chung and Mr. Ching Chi Fai are the then shareholders of Pacific Harvest International Limited. Gembright is a company jointly controlled by Mr. Ching Chau Chung and Mr. Ching Chi Fai;
- (vii) On 5 October 2007, the Company acquired the entire issued share capital of Ming Fai Holdings Limited through a share swap and became the holding company of the companies comprising the Group; and
- (viii) Pursuant to a written resolution of 5 October 2007, the directors of the Company were authorised to allot and issue a total of 350,000,000 shares credited as fully paid at par to the then shareholders of the Company at the close of business on 10 October 2007 in proportion to their respective shareholding by way of capitalisation of the sum of HK\$3,500,000 standing to the credit of the share premium account of the Company, conditional on the conditions of the Hong Kong public offer.

2 Basis of presentation

The companies now comprising the Group were under the common control of Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Mr Liu Zigang and Ms. Chan Yim Ching (collectively referred as the “Controlling Shareholders” hereinafter) before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a common control combination and is accounted for using the principles similar to merger accounting as set out in Accounting Guideline 5 – “Merger Accounting for common control combinations” issued by the HKICPA.

The Financial Information present the combined results, cash flows and financial positions of the companies comprising the Group as if the Group structure had been in existence since the earliest period presented, or since their respective date of incorporation/establishment.

All significant intra-group transactions and balances have been eliminated on combination.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information which are in conformity with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention.

The preparation of the Financial Information in accordance with the principal accounting policies set out below 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 Financial Information are disclosed in Note 5.

HKICPA has issued the following new/revised standards and interpretations that are not yet effective and have not been early adopted by the Group. The Group has considered the potential effect of these standards and interpretations.

- HK(IFRIC) – Int 11, “HKFRS 2 – Group and Treasury Share Transactions”, effective for annual periods beginning on or after 1 March 2007. This interpretation clarifies that certain types of transactions are accounted for as equity-settled or cash-settled transactions under HKFRS 2. The Group has already commenced on assessment of the impact of this new interpretation, but is not yet in a position to state whether this new interpretation would have a significant impact on its results of operations and financial position.
- HK(IFRIC) – Int 12, “Service Concession Arrangements”, effective for annual periods beginning on or after 1 January 2008. Management does not expect the adoption of this interpretation to be relevant for the Group.
- HK(IFRIC) – Int 13, “Customer Loyalty Programmes”, effective for annual periods beginning on or after 1 July 2008. Management does not expect the adoption of this interpretation to be relevant for the Group.
- HK(IFRIC) – Int 14 “HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction”, effective for annual periods beginning on or after 1 January 2008. Management does not expect the adoption of this interpretation to be relevant for the Group.
- HKFRS 8, “Operating Segments”, effective for annual periods beginning on or after 1 January 2009. Under HKFRS 8, segments are components of an entity regularly reviewed by an entity’s chief operating decision-maker. Items are reported in the segmental analysis based on the internal reporting. This standard does not have significant impact on the results of operations of the Group.
- HKAS23 (Revised), “Borrowing Cost”, effective for annual periods beginning on or after 1 January 2009. Management does not expect the amendment to be relevant for the Group.

(a) 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.

Acquisition of entities that are under common control have been combined using the principles similar to the merger accounting method.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) 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 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 combined income statement, and its share of post-acquisition movements in reserves is recognised in reserves. 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.

(c) *Segment reporting*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) *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 Financial Information are presented in Hong Kong Dollars ("HK\$"), which is the Company's functional and 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. 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 combined income statement.

(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 combined balance sheet presented are translated at the closing rate at the date of that combined balance sheet;
- income and expenses for each income statement 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 as a separate component of equity.

On combination, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the combined income statement as part of the gain or loss on sale.

(e) *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 combined income statement during the financial year/period in which they are incurred.

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 combined income statement.

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.

(f) Leasehold land and land use rights

Leasehold land and 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 on which various plants and buildings are situated for periods varying from 20 to 70 years. Amortisation of leasehold land and land use rights is expensed in the combined income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the combined income statement.

(g) Intangible assets

Acquired trademarks and investment in club debentures are shown at historical cost. Trademarks and investment in club debentures 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 and investment in club debenture over their estimated useful lives of 10 years.

(h) Impairment of investment in an associated company and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 levels for which there are separately identifiable cash flows (cash-generating units).

(i) Financial assets – loans and receivables

The Group's financial assets are loans and receivable. 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.

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.

(j) 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.

(k) 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 original 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 original 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 combined income statement. 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 combined income statement.

(l) Cash and cash equivalents

Cash and cash equivalents includes cash in 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 in the combined balance sheet.

(m) Trade and bills payables

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

(n) 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 combined income statement 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.

(o) Deferred income tax

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 financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition

of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

(p) Employee benefits

(i) Employee leave entitlement

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.

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.

(q) 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.

(r) Revenue recognition

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

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

(i) Sales of goods

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

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

(ii) Interest income

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

(s) 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 combined income statement on a straight-line basis over the period of the lease.

(t) Dividend distribution

Dividend distribution to the then shareholders of the companies comprising the Group is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the then shareholders.

4 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.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(i) *Foreign currency risk*

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In addition, the conversion of RMB into foreign currencies 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 material denominated in the same currency.

Certain of the assets of the Group are principally denominated in United States Dollar ("US\$"). HK\$ is pegged to US\$, and thus foreign exchange exposure is considered as minimal. The Group currently does not have a foreign currency hedging policy.

Prior to the revaluation of RMB in July 2005, foreign exchange exposure with respect to RMB is considered as minimal. During the years ended 31 December 2005 and 2006 and the six months ended 30 June 2007, if HK\$ had strengthened/weakened by 5% against the RMB, with all other variable held constant, post-tax profit for the year/period would have been approximately HK\$2,031,000, HK\$1,656,000 and HK\$1,347,000, respectively, higher or lower. At 31 December 2005 and 2006 and 30 June 2007, if HK\$ had strengthened/weakened by 5% against the RMB, equity would have been approximately HK\$1,741,000, HK\$4,071,000 and HK\$4,882,000, respectively, lower or higher.

(ii) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposures to changes in interest rates are mainly attributable to its borrowings.

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in Note 20 of this section.

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 refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss 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 profit or loss of a 80 basis-point shift would be a maximum increase/decrease of HK\$135,000, HK\$131,000, HK\$172,000 and HK\$28,000 for the year ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively.

(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 on-going 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. The Group's historical experience in collection of trade, bills and other receivables falls within the recorded allowances.

The table below shows the credit limit and balance of the five major debtors at the respective balance sheet dates.

Counterparty	31 December 2004	
	Credit limit <i>HK\$'000</i>	Utilised <i>HK\$'000</i>
Guest Supply LLC.	8,000	6,831
Advance Medical Designs Inc.	8,000	6,873
Gilchrist & Soames	8,000	6,651
Wesco International	5,000	3,420
Molton Brown Cosmetics	7,000	5,812

Counterparty	31 December 2005	
	Credit limit <i>HK\$'000</i>	Utilised <i>HK\$'000</i>
Guest Supply LLC.	15,000	14,981
Shangri-La International Hotel Management Limited	6,000	5,759
Advance Medical Designs Inc.	10,000	3,978
Molton Brown Cosmetics	6,000	4,777
Gunter Facility Supplies LLC.	6,000	4,944

Counterparty	31 December 2006	
	Credit limit <i>HK\$'000</i>	Utilised <i>HK\$'000</i>
Advance Medical Designs Inc.	12,000	11,085
Guest International Ltd.	26,000	25,035
Guest Supply LLC.	12,000	10,491
Shangri-La International Hotel Management Limited	8,000	7,699
Wesco International	8,000	7,051

Counterparty	30 June 2007	
	Credit limit <i>HK\$'000</i>	Utilised <i>HK\$'000</i>
Guest International Ltd	26,000	18,299
Guest Supply LLC.	18,000	15,449
Shangri-La International Hotel Management Limited	10,000	8,394
Zorbit Resources Inc.	10,000	8,674
Advance Medical Designs Inc.	12,000	7,886

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			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Trade and bills receivables				
New customers (less than 12 months)	7,558	6,221	7,374	2,161
Existing customers (more than 12 months) with no defaults in the past	35,190	55,083	78,223	90,796
Total	42,748	61,304	85,597	92,957
Cash and cash equivalents				
Cash at banks and bank deposits				
Listed financial institutions	5,170	5,575	42,221	45,615
Unlisted financial institutions	5,085	9,558	237	442
Cash on hand	10,255	15,133	42,458	46,057
	578	371	411	331
Total	10,833	15,504	42,869	46,388
Restricted cash				
Listed financial institutions	17,169	17,469	16,095	10,963
Total	17,169	17,469	16,095	10,963

(v) *Liquidity risk*

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2004					
Borrowings	20,486	191	–	–	20,677
Amounts due to shareholders	10,847	–	–	–	10,847
Amounts due to related parties	19,920	–	–	–	19,920
Trade and bills payables	44,346	–	–	–	44,346
Dividends payable	20,000	–	–	–	20,000
At 31 December 2005					
Borrowings	29,299	4,997	–	–	34,296
Amounts due to shareholders	19,185	–	–	–	19,185
Amounts due to related parties	31,292	–	–	–	31,292
Trade and bills payables	63,426	–	–	–	63,426
At 31 December 2006					
Borrowings	8,022	–	–	–	8,022
Amounts due to shareholders	32,686	–	–	–	32,686
Amounts due to related parties	34,994	–	–	–	34,994
Trade and bills payables	81,909	–	–	–	81,909
Dividends payable	24,000	–	–	–	24,000
At 30 June 2007					
Borrowings	5,170	–	–	–	5,170
Amounts due to shareholders	35,210	–	–	–	35,210
Amounts due to related parties	14,746	–	–	–	14,746
Trade and bills payables	81,299	–	–	–	81,299

At the respective balance sheet dates, the Group had the following borrowing facilities:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Borrowing facilities available	39,000	72,635	58,850	54,908
Borrowing facilities utilised	(6,343)	(22,730)	(6,764)	–
Undrawn borrowing facilities	<u>32,657</u>	<u>49,905</u>	<u>52,086</u>	<u>54,908</u>

(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 net debt divided by total capital. Net debt is calculated as total borrowings (represented by total liabilities less current and deferred income tax as shown in the combined balance sheets) less cash and cash equivalents. Total capital is calculated as equity, as shown in the combined balance sheets, plus net debt. Management consider a gearing ratio of not more than 60% as reasonable.

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
Total borrowings	132,486	175,034	224,225	192,698
Less: Cash and cash equivalents	(10,833)	(15,504)	(42,869)	(46,388)
Net debt	121,653	159,530	181,356	146,310
Total equity	93,345	114,008	164,556	227,377
Total capital	<u>214,998</u>	<u>273,538</u>	<u>345,912</u>	<u>373,687</u>
Gearing ratio	57%	58%	52%	39%

(c) *Fair value estimation*

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and bills receivables, trade and bill payables, dividends payable, amounts due to shareholders/related parties and amount due from an associated company, short-term borrowings approximate their fair values due to their short maturities.

The fair values of non-current borrowings are disclosed in Note 20 in this section. The fair value of financial liabilities for disclosure purpose is estimated by discounting if the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 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 discussed below.

(i) *Income taxes*

The Group is subject to income taxes in Hong Kong and 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. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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.

(ii) *Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of any future management determination of relocation or renovation. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down non-strategic assets that have been abandoned or sold.

(b) *Critical judgements*

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 advisers, 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\$20,231,000, HK\$19,725,000, HK\$16,668,000 and HK\$16,765,000 as at 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively. Accordingly, no impairment for such assets is considered necessary to be made according to the Group's accounting policies.

If there is any dispute regarding the legal title of such properties occupied by the Group comes into question, the Group may have to vacate from such properties and relocate elsewhere. This may lead to additional expenses and/or business interruptions as a result of the relocation. The Controlling Shareholders have provided an indemnity in the Group's favour to reimburse any loss or damage that the Group may suffer as a result of such relocation.

6 Segment information

(a) *Primary reporting format – business segments*

No business segment information of the Group is presented as the Group's revenue, expenses, assets and liabilities and capital expenditures are primarily attributable to the manufacture and sales of amenity products.

(b) *Secondary reporting format – geographical segments*

The Group primarily operates in Hong Kong and the PRC. The Group's turnover by geographical location is determined by the country in which the customer is located.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Turnover:					
North America	156,122	210,657	263,897	114,021	146,937
Europe	71,186	95,898	170,794	81,743	84,997
PRC	50,178	66,441	90,310	38,970	53,186
Hong Kong	46,244	76,308	75,327	35,646	54,654
Other Asia Pacific countries ¹	22,216	51,859	71,815	35,764	35,845
Others ²	4,771	6,224	15,263	7,142	7,588
	<u>350,717</u>	<u>507,387</u>	<u>687,406</u>	<u>313,286</u>	<u>383,207</u>

Notes:

- Other Asia Pacific countries mainly include Japan, United Arab Emirates, Thailand, Philippines, Malaysia and Singapore.
- Others mainly include South Africa, Egypt, Morocco and Nigeria.

Total assets are allocated based on where the assets are located.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, deferred income tax assets, inventories, receivables, operating cash and restricted cash.

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets:				
Hong Kong	39,248	64,194	93,858	96,676
PRC	194,053	218,701	297,610	328,518
Other Asia Pacific countries	1,551	12,169	14,132	13,153
	<u>234,852</u>	<u>295,064</u>	<u>405,600</u>	<u>438,347</u>

Capital expenditure is allocated based on where the assets are located.

Capital expenditure comprises mainly additions to property, plant and equipment, leasehold land and land use rights and intangible assets.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Capital expenditure:					
Hong Kong	1,550	450	124	–	900
PRC	14,113	22,600	23,122	8,578	13,051
Singapore	27	212	538	280	11
	<u>15,690</u>	<u>23,262</u>	<u>23,784</u>	<u>8,858</u>	<u>13,962</u>

7 Leasehold land and land use rights

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

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Opening net book amount	4,317	4,639	4,531	7,605
Additions	470	–	3,797	3,030
Amortisation	(174)	(181)	(928)	(114)
Exchange differences	26	73	205	283
	<u>4,639</u>	<u>4,531</u>	<u>7,605</u>	<u>10,804</u>
Closing net book amount	<u>4,639</u>	<u>4,531</u>	<u>7,605</u>	<u>10,804</u>
In Hong Kong held on:				
Leases of between 10 to 50 years	466	455	444	1,003
In PRC, held on:				
Leases of over 50 years	1,319	1,322	1,349	8,415
Leases of between 10 to 50 years	<u>2,854</u>	<u>2,754</u>	<u>5,812</u>	<u>1,386</u>
	<u>4,639</u>	<u>4,531</u>	<u>7,605</u>	<u>10,804</u>

Amortisation of the Group's leasehold land and land use rights has been charged to cost of sales in the combined income statement.

Bank borrowings are secured by certain leasehold land and land use rights with an aggregate carrying value of approximately HK\$2,002,000, HK\$1,994,000, HK\$2,019,000 and HK\$2,066,000 as at 31 December 2004, 2005 and 2006 and 30 June 2007 respectively (Note 20).

8 Property, plant and equipment

	<u>Buildings</u>	<u>Leasehold improve- ments</u>	<u>Motor vehicles</u>	<u>Furniture and fixtures</u>	<u>Computer equipment</u>	<u>Plant and machinery</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2004								
Cost	48,862	21,534	2,113	1,054	2,132	16,644	2,951	95,290
Accumulated depreciation	(2,015)	(1,139)	(604)	(235)	(650)	(3,131)	–	(7,774)
Net book amount	<u>46,847</u>	<u>20,395</u>	<u>1,509</u>	<u>819</u>	<u>1,482</u>	<u>13,513</u>	<u>2,951</u>	<u>87,516</u>
Year ended 31 December 2004								
Opening net book amount	46,847	20,395	1,509	819	1,482	13,513	2,951	87,516
Additions	1,050	2,995	1,072	224	767	4,433	4,649	15,190
Transfer upon completion	–	6,494	–	–	–	853	(7,347)	–
Depreciation	(2,523)	(2,258)	(496)	(368)	(853)	(5,122)	–	(11,620)
Exchange differences	275	102	3	5	2	9	21	417
Closing net book amount	<u>45,649</u>	<u>27,728</u>	<u>2,088</u>	<u>680</u>	<u>1,398</u>	<u>13,686</u>	<u>274</u>	<u>91,503</u>
At 31 December 2004								
Cost	50,196	31,128	3,085	1,284	2,902	21,941	274	110,810
Accumulated depreciation	(4,547)	(3,400)	(997)	(604)	(1,504)	(8,255)	–	(19,307)
Net book amount	<u>45,649</u>	<u>27,728</u>	<u>2,088</u>	<u>680</u>	<u>1,398</u>	<u>13,686</u>	<u>274</u>	<u>91,503</u>
	<u>Buildings</u>	<u>Leasehold improve- ments</u>	<u>Motor vehicles</u>	<u>Furniture and fixtures</u>	<u>Computer equipment</u>	<u>Plant and machinery</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2005								
Opening net book amount	45,649	27,728	2,088	680	1,398	13,686	274	91,503
Additions	–	1,014	1,447	125	662	15,718	3,846	22,812
Transfer upon completion	–	3,935	–	–	–	153	(4,088)	–
Depreciation	(2,588)	(3,142)	(809)	(417)	(936)	(5,080)	–	(12,972)
Exchange differences	801	472	14	8	14	179	2	1,490
Closing net book amount	<u>43,862</u>	<u>30,007</u>	<u>2,740</u>	<u>396</u>	<u>1,138</u>	<u>24,656</u>	<u>34</u>	<u>102,833</u>
At 31 December 2005								
Cost	51,108	36,635	4,559	1,400	3,591	37,959	34	135,286
Accumulated depreciation	(7,246)	(6,628)	(1,819)	(1,004)	(2,453)	(13,303)	–	(32,453)
Net book amount	<u>43,862</u>	<u>30,007</u>	<u>2,740</u>	<u>396</u>	<u>1,138</u>	<u>24,656</u>	<u>34</u>	<u>102,833</u>

	Buildings	Leasehold improve- ments	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
Year ended 31 December 2006								
Opening net book amount	43,862	30,007	2,740	396	1,138	24,656	34	102,833
Additions	5,070	306	1,270	432	570	10,436	1,859	19,943
Transfer upon completion	-	643	-	-	-	796	(1,439)	-
Disposals	-	(29)	-	-	-	-	-	(29)
Depreciation	(3,304)	(4,620)	(1,000)	(352)	(771)	(6,979)	-	(17,026)
Exchange differences	1,557	894	50	14	31	558	9	3,113
Closing net book amount	<u>47,185</u>	<u>27,201</u>	<u>3,060</u>	<u>490</u>	<u>968</u>	<u>29,467</u>	<u>463</u>	<u>108,834</u>
At 31 December 2006								
Cost	58,056	38,730	5,917	1,866	4,192	49,568	463	158,792
Accumulated depreciation	(10,871)	(11,529)	(2,857)	(1,376)	(3,224)	(20,101)	-	(49,958)
Net book amount	<u>47,185</u>	<u>27,201</u>	<u>3,060</u>	<u>490</u>	<u>968</u>	<u>29,467</u>	<u>463</u>	<u>108,834</u>
Six months ended 30 June 2007								
Opening net book amount	47,185	27,201	3,060	490	968	29,467	463	108,834
Additions	4,293	849	800	251	424	2,594	1,721	10,932
Transfer upon completion	-	549	-	48	-	-	(597)	-
Disposals	-	-	(68)	-	-	-	-	(68)
Depreciation	(1,435)	(1,768)	(546)	(153)	(404)	(4,063)	-	(8,369)
Exchange differences	1,673	862	54	16	31	644	30	3,310
Closing net book amount	<u>51,716</u>	<u>27,693</u>	<u>3,300</u>	<u>652</u>	<u>1,019</u>	<u>28,642</u>	<u>1,617</u>	<u>114,639</u>
At 30 June 2007								
Cost	64,424	41,370	6,739	2,228	4,702	53,064	1,617	174,144
Accumulated depreciation	(12,708)	(13,677)	(3,439)	(1,576)	(3,683)	(24,422)	-	(59,505)
Net book amount	<u>51,716</u>	<u>27,693</u>	<u>3,300</u>	<u>652</u>	<u>1,019</u>	<u>28,642</u>	<u>1,617</u>	<u>114,639</u>

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

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of sales	7,589	8,364	12,463	5,680	5,932
Distribution costs	2,395	2,559	2,650	1,314	1,417
Administrative expenses	1,636	2,049	1,913	1,069	1,020
	<u>11,620</u>	<u>12,972</u>	<u>17,026</u>	<u>8,063</u>	<u>8,369</u>

(Unaudited)

Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately HK\$29,937,000, HK\$28,829,000, HK\$28,132,000 and HK\$28,240,000 as at 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively (Note 20).

9 Intangible assets

	<u>Trademarks</u>	<u>Investment in club debentures</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2004			
Cost	–	518	518
Accumulated amortisation	–	(52)	(52)
Net book amount	<u>–</u>	<u>466</u>	<u>466</u>
Year ended 31 December 2004			
Opening net book amount	–	466	466
Additions	30	–	30
Amortisation	(3)	(52)	(55)
Closing net book amount	<u>27</u>	<u>414</u>	<u>441</u>
At 31 December 2004			
Cost	30	518	548
Accumulated amortisation	(3)	(104)	(107)
Net book amount	<u>27</u>	<u>414</u>	<u>441</u>
Year ended 31 December 2005			
Opening net book amount	27	414	441
Additions	–	450	450
Amortisation	(3)	(97)	(100)
Closing net book amount	<u>24</u>	<u>767</u>	<u>791</u>
At 31 December 2005			
Cost	30	968	998
Accumulated amortisation	(6)	(201)	(207)
Net book amount	<u>24</u>	<u>767</u>	<u>791</u>
Year ended 31 December 2006			
Opening net book amount	24	767	791
Additions	44	–	44
Amortisation	(7)	(97)	(104)
Closing net book amount	<u>61</u>	<u>670</u>	<u>731</u>
At 31 December 2006			
Cost	74	968	1,042
Accumulated amortisation	(13)	(298)	(311)
Net book amount	<u>61</u>	<u>670</u>	<u>731</u>

	<u>Trademarks</u>	<u>Investment in club debentures</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2007			
Opening net book amount	61	670	731
Amortisation	(4)	(48)	(52)
Closing net book amount	<u>57</u>	<u>622</u>	<u>679</u>
At 30 June 2007			
Cost	74	968	1,042
Accumulated amortisation	(17)	(346)	(363)
Net book amount	<u>57</u>	<u>622</u>	<u>679</u>

Amortisation of the Group's intangible assets has been charged to administrative expenses in the combined income statement.

10 Investment in an associated company

(a) Investment in an associated company

	<u>Year ended 31 December 2006</u>	<u>Six months ended 30 June 2007</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the year/period	–	120
Acquisition of an associated company	108	–
Share of profit	12	40
End of the year/period	<u>120</u>	<u>160</u>

On 22 March 2006, the Group acquired 50% of the equity interest in Quality Amenities Supply (M) Sdn. Bhd. at a consideration of 50,000 Malaysian Ringgit ("MYR") (equivalent to approximately HK\$108,000).

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

Name	Particulars of issued shares held	Country of incorporation	% Interest held	31 December 2006				30 June 2007			
				Assets	Liabilities	Revenue	Profit	Assets	Liabilities	Revenue	Profit
				MYR	MYR	MYR	MYR	MYR	MYR	MYR	MYR
Quality Amenities Supply (M) Sdn. Bhd.	50,000	Malaysia	50%	177,000	121,000	87,000	5,000	186,000	116,000	53,000	18,000

(b) Amount due from an associated company

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

None of the amounts due from an associated company is either past due or 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.

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets				
– Deferred income tax assets to be realised after more than twelve months	1,845	1,933	2,800	4,567
Deferred income tax liabilities				
– Deferred income tax liabilities to be settled after more than twelve months	(494)	(454)	(345)	(331)
	1,351	1,479	2,455	4,236

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

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year/period	1,123	1,351	1,479	2,455
Recognised in the combined income statements (<i>Note 27</i>)	221	93	892	1,662
Exchange differences	7	35	84	119
At end of the year/period	1,351	1,479	2,455	4,236

The movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation
	<i>HK\$'000</i>
At 1 January 2004	(297)
Recognised in the combined income statement	<u>(216)</u>
At 31 December 2004	(513)
Recognised in the combined income statement	21
Exchange differences	<u>(1)</u>
At 31 December 2005	(493)
Recognised in the combined income statement	89
Exchange differences	<u>(2)</u>
At 31 December 2006	(406)
Recognised in the combined income statement	(46)
Exchange differences	<u>(2)</u>
As at 30 June 2007	<u><u>(454)</u></u>

Deferred income tax assets

	Decelerated tax depreciation	Provision of assets	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2004	1,156	264	1,420
Recognised in the combined income statement	58	379	437
Exchange differences	<u>6</u>	<u>1</u>	<u>7</u>
At 31 December 2004	1,220	644	1,864
Recognised in the combined income statement	113	(41)	72
Exchange differences	<u>25</u>	<u>11</u>	<u>36</u>
At 31 December 2005	1,358	614	1,972
Recognised in the combined income statement	273	530	803
Exchange differences	<u>53</u>	<u>33</u>	<u>86</u>
At 31 December 2006	1,684	1,177	2,861
Recognised in the combined income statement	327	1,381	1,708
Exchange differences	<u>64</u>	<u>57</u>	<u>121</u>
As at 30 June 2007	<u><u>2,075</u></u>	<u><u>2,615</u></u>	<u><u>4,690</u></u>

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law increases the corporate income tax rate for foreign invested enterprises from 15% to 25% with effect from 1 January 2008. As a result of the new CIT Law, the carrying value of deferred tax assets has been written up by HK\$1,910,000 during the six months ended 30 June 2007.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impacts, if any, and this change in accounting estimate will be accounted for prospectively.

12 Inventories

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Raw materials	21,377	24,563	25,432	34,735
Work in progress	502	674	1,192	1,176
Finished goods	15,997	20,485	34,132	31,871
	37,876	45,722	60,756	67,782
Less: Provision for obsolete inventories	(3,504)	(1,897)	(4,927)	(6,539)
Inventories, net	34,372	43,825	55,829	61,243

The cost of inventories included in cost of sales during the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007 amounted to approximately HK\$174,745,000, HK\$273,296,000, HK\$362,245,000 and HK\$197,985,000 respectively.

In 2005, the Group reversed HK\$1,607,000 provision for obsolete inventories due to sales of goods that were previously written down. The amount reversed has been included in cost of sales in the combined income statement.

The gross amount of inventories carried at net realisable value amounted to approximately HK\$3,504,000, HK\$1,897,000, HK\$4,927,000 and HK\$6,539,000 as at 31 December 2004, 2005 and 2006 and 30 June 2007. Full provision has been made with regard to these balances.

13 Trade and bills receivables

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Trade receivables	63,964	89,458	150,628	150,530
Bills receivables	6,324	13,867	11,018	20,632
	70,288	103,325	161,646	171,162
Less: provision for impairment of receivables	(672)	(1,551)	(3,010)	(3,864)
Trade and bills receivables, net	69,616	101,774	158,636	167,298

Ageing analysis of trade and bills receivables at the respective balance sheet dates is as follows:

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Current	42,772	61,304	85,597	93,007
1-30 days	15,317	26,159	44,847	43,559
31-60 days	5,416	7,865	17,389	17,316
61-90 days	2,549	3,545	7,528	6,825
91-180 days	1,220	1,654	2,726	5,699
Over 180 days	3,014	2,798	3,559	4,756
	<u>70,288</u>	<u>103,325</u>	<u>161,646</u>	<u>171,162</u>
Denominated in:				
– US\$	43,148	62,011	108,468	112,645
– RMB	16,002	21,711	26,897	32,194
– HK\$	10,622	16,448	21,268	23,008
– Other currencies	516	3,155	5,013	3,315
	<u>70,288</u>	<u>103,325</u>	<u>161,646</u>	<u>171,162</u>

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

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Trade and bills receivables	<u>69,616</u>	<u>101,774</u>	<u>158,636</u>	<u>167,298</u>

For the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, specific write-off of trade and bills receivables of approximately HK\$72,000, Nil, HK\$128,000 and HK\$Nil, respectively were recognised directly in the combined income statement.

As at 31 December 2004, 2005 and 2006 and 30 June 2007, trade and bills receivables of approximately HK\$672,000, HK\$1,551,000, HK\$3,010,000 and HK\$3,864,000, respectively, were impaired and have been provided for. The individually impaired receivables mainly represent sales made to PRC customers which have remained long overdue.

As at 31 December 2004, 2005 and 2006 and 30 June 2007, trade and bills receivables of approximately HK\$26,868,000, HK\$40,470,000, HK\$73,039,000 and HK\$74,341,000 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:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Up to 90 days	23,279	37,570	69,711	67,656
91 to 180 days	1,188	1,649	2,481	5,211
Over 180 days	2,401	1,251	847	1,474
	<u>26,868</u>	<u>40,470</u>	<u>73,039</u>	<u>74,341</u>

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

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year/period	169	672	1,551	3,010
Provision for impairment of receivables	<u>503</u>	<u>879</u>	<u>1,459</u>	<u>854</u>
At end of the year/period	<u>672</u>	<u>1,551</u>	<u>3,010</u>	<u>3,864</u>

The creation and release of provision for impaired receivables have been included in administrative expenses in the combined income statement. 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 reporting date is the fair values of trade and bills receivables disclosed above.

Bank borrowings are secured by certain bills receivables of approximately HK\$6,324,000 as at 31 December 2004 (Note 20).

14 Amounts due to related parties

The amounts are denominated in HK\$, US\$, RMB and SG\$. Other than an interest bearing loan of approximately HK\$3,200,000 due to a related company as at 31 December 2004, amounts due to related parties are unsecured, interest free and repayable upon demand. The interest bearing loan is unsecured, bears interest at 6% per annum and was repaid in April 2005. The carrying values of these balances approximate their fair values. The directors confirmed that the outstanding balances as at 30 June 2007 have been fully settled as at the date of this report.

15 Amounts due to shareholders

The amounts due to shareholders are denominated in HK\$ and RMB. Other than interest bearing loans from shareholders of approximately HK\$2,400,000 as at 31 December 2004, and HK\$4,000,000 as at 31 December 2006 and 30 June 2007, amounts due to shareholders are unsecured, interest free and are repayable upon demand. The interest bearing loans are unsecured, bear interest at 6% and 2.5% per annum,

respectively and are repayable upon demand. The carrying values of these balances approximate their fair values. The directors confirmed that the outstanding balances as at 30 June 2007 have been fully settled as at the date of this report.

16 Deposits, prepayments and other receivables

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Deposits	19	35	279	206
Prepayments	3,553	5,054	5,038	13,851
Other receivables	862	1,315	6,280	7,208
	<u>4,434</u>	<u>6,404</u>	<u>11,597</u>	<u>21,265</u>
The fair values are as follows:				
Deposits	19	35	279	206
Prepayments	3,553	5,054	5,038	13,851
Other receivables	862	1,315	6,280	7,208
	<u>4,434</u>	<u>6,404</u>	<u>11,597</u>	<u>21,265</u>
Denominated in:				
HK\$	699	856	1,331	7,978
RMB	3,691	5,376	9,684	12,863
US\$	–	6	516	151
Other currencies	44	166	66	273
	<u>4,434</u>	<u>6,404</u>	<u>11,597</u>	<u>21,265</u>

17 Restricted cash

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Restricted cash	<u>17,169</u>	<u>17,469</u>	<u>16,095</u>	<u>10,963</u>
Denominated in:				
– HK\$	17,169	17,469	15,969	10,835
– SG\$	–	–	126	128
	<u>17,169</u>	<u>17,469</u>	<u>16,095</u>	<u>10,963</u>

Restricted cash represents mandatory reserve deposit placed in banks as pledges against facilities granted. The weighted average effective interest rate per annum on restricted cash was 0.13%, 1.70%, 3.53% and 3.29% as at 31 December 2004, 2005 and 2006 and 30 June 2007, respectively.

18 Cash and cash equivalents

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Cash at banks and on hand	10,833	15,504	31,477	46,388
Bank deposits	–	–	11,392	–
	<u>10,833</u>	<u>15,504</u>	<u>42,869</u>	<u>46,388</u>
Denominated in:				
– HK\$	1,891	7,123	11,775	8,191
– RMB	5,522	4,850	9,649	10,543
– US\$	2,371	1,520	19,477	23,139
– Other currencies	1,049	2,011	1,968	4,515
	<u>10,833</u>	<u>15,504</u>	<u>42,869</u>	<u>46,388</u>

The effective interest rate on short-term bank deposit was 4.11% per annum as at 31 December 2006, the deposit has an average maturity of 16 days.

The Group's cash and bank balances denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

Cash and cash equivalents include the following for the purposes of the combined cash flow statement:

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Cash and bank balances	10,833	15,504	42,869	46,388
Bank overdrafts (<i>Note 20</i>)	–	(5,739)	–	–
	<u>10,833</u>	<u>9,765</u>	<u>42,869</u>	<u>46,388</u>

19 Owners' equity

(i) Combined capital

Combined capital of the Group represents the capital contributions from the equity holders of the Company. The additions during the Relevant Periods represent the injection of additional paid-up capital by the equity holders of the Company to the respective companies which were combined from the effective date of acquisition.

(ii) Statutory reserves

Under the relevant PRC laws and regulations, PRC companies are required to appropriate certain percentage of their respective net profit to two statutory funds – the statutory reserve fund and the statutory staff welfare fund. Details of the two funds are as follows:

Statutory reserve fund

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 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.

Statutory staff welfare fund

Prior to 1 January 2006, PRC companies are required to transfer 5% of its net profit to statutory public welfare fund. From January 2006, according to the newly revised Company Law, PRC companies are not required to make such transfer. Statutory staff welfare fund can be used to provide staff welfare facilities and other collective benefits to the Group's employees and is non-distributable to shareholders.

For the years ended 31 December 2004 and 2005, the companies comprising the Group which were established in the PRC were in net loss positions and therefore no appropriation was made.

20 Borrowings

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current				
Long-term bank loans	191	4,997	–	–
Current				
Current portion of long-term bank loans	10,357	12,184	5,764	–
Short-term bank loans	10,129	11,376	2,258	5,170
Bank overdrafts (<i>Note 18</i>)	–	5,739	–	–
	20,486	29,299	8,022	5,170
Total bank borrowings	20,677	34,296	8,022	5,170
Representing:				
Unsecured	14,334	11,566	1,258	5,170
Secured	6,343	22,730	6,764	–
	20,677	34,296	8,022	5,170

As at 31 December 2004, 2005 and 2006 and 30 June 2007, borrowings drawn in the PRC were secured by the Group's leasehold land and land use rights with net carrying value of approximately HK\$2,002,000, HK\$1,994,000, HK\$2,019,000 and HK\$2,066,000 (*Note 7*), respectively and property, plant and equipment with net carrying value of approximately HK\$29,937,000, HK\$28,829,000, HK\$28,132,000

and HK\$28,240,000 (Note 8), respectively and certain bills receivables of approximately HK\$6,324,000 as at 31 December 2004 (Note 13). Bank overdrafts and the remaining borrowings were secured by restricted cash (Note 17).

At the respective balance sheet dates, the Group's borrowings were all denominated in HK\$ and repayable as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	20,486	29,299	8,022	5,170
In the second year	191	4,997	–	–
	<u>20,677</u>	<u>34,296</u>	<u>8,022</u>	<u>5,170</u>

The weighted average effective interest rates per annum of the Group's borrowings at the respective balance sheet dates are set out as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
Total borrowings:				
– HK\$	<u>5.22%</u>	<u>5.26%</u>	<u>6.06%</u>	<u>5.43%</u>

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

The carrying value and fair value of non-current borrowings are set out as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying value	<u>191</u>	<u>4,997</u>	<u>–</u>	<u>–</u>
Fair value	<u>191</u>	<u>4,997</u>	<u>–</u>	<u>–</u>

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates. The borrowing rate for the years ended 31 December 2004 and 2005 was 6.00% and 5.84% per annum, respectively.

At the respective balance sheet dates, the Group had the following undrawn borrowing facilities:

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Floating rate				
– Expiring within one year	32,657	49,905	52,086	54,908

21 Trade and bills payables

The ageing analysis of trade and bills payables is as follows:

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Current	36,002	50,709	58,791	66,417
1-30 days	6,494	9,889	20,804	12,180
31-60 days	1,370	2,243	1,680	1,640
61-90 days	256	198	200	343
Over 90 days	224	387	434	719
	44,346	63,426	81,909	81,299
Denominated in:				
– HK\$	22,459	35,420	49,575	19,506
– RMB	15,263	19,871	21,595	54,731
– US\$	6,609	8,074	10,599	7,008
– Other currencies	15	61	140	54
	44,346	63,426	81,909	81,299

22 Expenses by nature

Expenses included in cost of sales, distribution costs and administrative expenses are presented as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Changes in inventories	174,745	273,296	362,245	158,231	197,985
Auditors' remuneration	147	138	152	43	1,010
Amortisation of leasehold land and land use rights	174	181	928	377	114
Depreciation of property, plant and equipment	11,620	12,972	17,026	8,063	8,369
Amortisation of intangible assets	55	100	104	50	52
Operating lease rental in respect of buildings	890	1,020	1,328	644	523
Provision for/(write-back of) obsolete inventories	2,157	(1,607)	3,030	(173)	1,612
Provision for impairment of trade and bills receivables	503	879	1,459	853	854
Write-off of bad debts	72	–	128	–	–
Employee benefit expenses (Note 24)	62,292	76,995	99,761	51,408	54,024
Transportation expenses	13,894	15,550	20,815	10,293	12,374
Exchange losses	749	1,955	4,786	384	1,312
Advertising costs	2,415	2,743	1,704	786	780
	<u>177</u>	<u>647</u>	<u>1,617</u>	<u>767</u>	<u>1,019</u>

23 Other income

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest income	38	366	743	381	562
Gain/(loss) on disposal of property, plant and equipment	7	28	36	1	(65)
Income from sales of scrap materials	132	253	838	385	522
	<u>177</u>	<u>647</u>	<u>1,617</u>	<u>767</u>	<u>1,019</u>

24 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Salaries, wages and bonuses	56,523	68,872	85,383	46,435	46,001
Pension costs – defined contribution plans	475	492	473	248	301
Welfare and other expenses	5,294	7,631	13,905	4,725	7,722
	<u>62,292</u>	<u>76,995</u>	<u>99,761</u>	<u>51,408</u>	<u>54,024</u>

25 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to directors of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Fees	2,459	2,459	2,453	1,253	1,252
Basic salaries, housing allowances, other allowances and benefits-in-kind	2,297	1,854	2,721	933	1,247
Contributions to pension plans	81	81	89	42	43
	<u>4,837</u>	<u>4,394</u>	<u>5,263</u>	<u>2,228</u>	<u>2,542</u>

The emoluments of every director is as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Mr. Ching Chi Fai	1,442	1,392	1,388	632	632
Mr. Ching Chau					
Chung	1,442	1,392	1,388	632	632
Mr. Ching Chi Keung	627	610	614	264	266
Mr. Liu Zigang	143	178	207	86	77
Mr. Lee King Hay	487	432	473	185	189
Ms. Chan Yim Ching	696	390	740	332	335
Ms. Chan Wing	–	–	453	97	411
	<u>4,837</u>	<u>4,394</u>	<u>5,263</u>	<u>2,228</u>	<u>2,542</u>

None of the directors waived any emoluments during the Relevant Periods.

The emoluments of the directors fall within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	Nil to HK\$1,000,000	4	4	5	7
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>2</u>	<u>2</u>	<u>–</u>	<u>–</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2006 and 2007 include five, four, four, four and four directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual are as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Basic salaries, housing allowances, other allowances and benefits-in-kind	–	478	672	279	282
Contributions to pension plans	<u>–</u>	<u>12</u>	<u>12</u>	<u>6</u>	<u>6</u>
	<u>–</u>	<u>490</u>	<u>684</u>	<u>285</u>	<u>288</u>

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

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
Nil to HK\$1,000,000	–	1	1	1	1

- (c) No emoluments have been paid to the individual as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2006 and 2007.

26 Finance costs

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Interest on bank borrowings and overdrafts					
– wholly repayable within five years	1,365	875	1,716	1,222	191
Interest on loan from a related party					
– wholly repayable within five years	192	–	–	–	–
Interest on loans from shareholders					
– wholly repayable within five years	288	136	40	–	50
	<u>1,845</u>	<u>1,011</u>	<u>1,756</u>	<u>1,222</u>	<u>241</u>

27 Income tax expenses

The amount of income tax expenses charged to the combined income statement represents:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Current income tax:					
– Hong Kong profits tax	9,754	13,293	13,765	8,329	10,984
– PRC enterprise income tax	–	299	5,358	1,315	2,659
– Singapore income tax	–	–	475	271	480
	9,754	13,592	19,598	9,915	14,123
Deferred income tax (Note 11)	(221)	(93)	(892)	(278)	(1,662)
	<u>9,533</u>	<u>13,499</u>	<u>18,706</u>	<u>9,637</u>	<u>12,461</u>

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates. Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2006 and 2007.

In pursuant to the Income Tax Law for Foreign Invested Enterprises and Foreign Owned Enterprise, Ming Fai Enterprise Industrial (Shenzhen) Company Limited is eligible to enjoy a preferential enterprise income tax rate of 15%. Ming Fai Enterprise Industrial (Shenzhen) Company Limited is entitled to a further tax rate reduction to 10% should its export sales exceed 70% of its revenue. For the years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2006 and 2007, the applicable enterprise income tax rate of Ming Fai Enterprise Industrial (Shenzhen) Company Limited was 15%, 10%, 10%, 10% and 10%, respectively.

The applicable enterprise income tax rate of Luoding Quality Amenities Supply Ltd. is 33%. Subject to obtaining the approval from the relevant tax bureau, Luoding Quality Amenities Supply Limited is eligible for enterprise income tax exemption for two years followed by a 50% reduction in enterprise income tax rate in the next three years. Luoding Quality Amenities Supply Ltd. was in a net loss position for the year ended 31 December 2006 and for the six months ended 30 June 2007.

Corporate tax in Singapore has been provided at the rate of 20% on the estimated assessable profit for the year ended 31 December 2006 and the six months ended 30 June 2006 and 2007. No provision on corporate tax for the years ended 31 December 2004 and 2005 due to the tax exemption allowed by tax authority on initial taxable profits of SG\$100,000.

The difference between the actual income tax charge to the combined income statement and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Profit before income tax	35,990	68,501	111,060	52,216	72,203
Tax calculated at domestic tax rates applicable to profits in the respective countries	6,744	12,283	16,800	8,751	11,277
Income not subject to tax	–	(43)	(134)	(107)	(150)
Expenses not deductible for tax purposes	2,240	1,754	1,946	1,109	1,044
Utilisation of previously unrecognised tax losses	(316)	(520)	(116)	(116)	–
Tax losses for which no deferred income tax asset was recognised	865	25	210	–	290
Tax charge	<u>9,533</u>	<u>13,499</u>	<u>18,706</u>	<u>9,637</u>	<u>12,461</u>

The weighted average applicable tax rate was 19%, 18%, 15%, 17% and 16% per annum for the years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2006 and 2007, respectively. The decrease is caused by a change in the profitability of Group's subsidiaries in the respective countries.

Deferred income tax assets are recognised for tax losses carry 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\$5,683,000, HK\$661,000, HK\$652,000 and HK\$1,563,000 as at 31 December 2004, 2005, 2006 and 30 June 2007, respectively to carry forward against future taxable income. These tax losses expire in the following years:

	<u>As at 31 December</u>			<u>As at</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>30 June</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2007</i>
				<i>HK\$'000</i>
In the first to fifth years inclusive	5,167	–	621	1,464
No expiry date	<u>516</u>	<u>661</u>	<u>31</u>	<u>99</u>
	<u>5,683</u>	<u>661</u>	<u>652</u>	<u>1,563</u>

28 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 1 of this section.

29 Dividends

Dividends disclosed during the Relevant Periods represent dividends declared by companies comprising the Group to the then shareholders. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report.

30 Note to combined cash flow statements

(a) Reconciliation of profit before income tax for the year/period to cash generated from operating activities

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	35,990	68,501	111,060	52,216	72,203
Adjustments for:					
– Amortisation of leasehold land and land use rights	174	181	928	377	114
– Depreciation of property, plant and equipment	11,620	12,972	17,026	8,063	8,369
– Amortisation of intangible assets	55	100	104	50	52
– (Gain)/loss on disposal of property, plant and equipment	(7)	(28)	(36)	(1)	65
– Interest income	(38)	(366)	(743)	(381)	(562)
– Interest expense	1,845	1,011	1,756	1,222	241
– Provision for/ (write-back of) obsolete inventories	2,157	(1,607)	3,030	(173)	1,612
– Provision for impaired receivables	503	879	1,459	853	854
– Write-off of bad debts	72	–	128	–	–
– Share of profit from an associated company	–	–	(12)	(4)	(40)
Changes in working capital:					
– Restricted cash	(22)	(300)	1,374	(414)	5,132
– Inventories	(12,492)	(7,846)	(15,034)	(4,999)	(7,026)
– Trade and bills receivables	(12,927)	(33,037)	(58,449)	(28,697)	(9,516)
– Deposits, prepayments and other receivables	(2,777)	(1,862)	(5,301)	(5,543)	(9,668)
– Trade and bills payables	13,535	19,080	18,483	8	(610)
– Accruals and other payables	6,436	10,139	15,779	6,892	13,659
– Amounts due to related parties	594	615	670	(847)	(5,164)
– Amount due from an associated company	–	–	(484)	(451)	143
Cash generated from operations	<u>44,718</u>	<u>68,432</u>	<u>91,738</u>	<u>28,171</u>	<u>69,858</u>

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

In the combined cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Net book amount:					
– Property, plant and equipment	–	–	29	29	68
Gain/(loss) on disposal of property, plant and equipment	7	28	36	1	(65)
Proceeds from disposal of property, plant and equipment	<u>7</u>	<u>28</u>	<u>65</u>	<u>30</u>	<u>3</u>

*(c) Analysis of changes in financing during the year/period**Bank borrowings*

	As at 31 December			As at 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Beginning of the year/period	23,810	20,677	28,557	28,557	8,022
Proceeds from borrowings	39,210	51,964	29,452	22,685	8,758
Repayments of borrowings	<u>(42,343)</u>	<u>(44,084)</u>	<u>(49,987)</u>	<u>(20,330)</u>	<u>(11,610)</u>
End of the year/period	<u>20,677</u>	<u>28,557</u>	<u>8,022</u>	<u>30,912</u>	<u>5,170</u>

31 Commitments*(a) Capital commitments*

Capital expenditure contracted at the balance sheet date but not yet provided for is as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	<u>4,827</u>	<u>552</u>	<u>247</u>	<u>6,620</u>

(b) Operating lease commitments

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

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
No later than one year	13	177	763	1,074
Later than one year and no later than five years	–	–	948	660
	<u>13</u>	<u>177</u>	<u>1,711</u>	<u>1,734</u>

A subsidiary of the Group has entered into management consultancy services agreements with Advance Management Consultants Limited, a company controlled by Mr. Ng Bo Kwong, who has been appointed as a non-executive director of the Group on 9 July 2007, on 3 August 2006 and 12 April 2007, respectively. As at 31 December 2006 and 30 June 2007, the total commitment entered into with regard to such services amounted to HK\$200,000 and HK\$133,000 respectively.

32 Significant 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 Chau Chung, Mr. Ching Chi Keung, Mr. Liu Zigang and Ms. Chan Yim Ching.

During the Relevant Periods, the Group has carried out significant transactions with the following related parties:

Name of related party	Principal business activities	Relationship with the Group
Liu Zigang	Not applicable	Shareholder of the Group
Ching Chi Keung	Not applicable	Shareholder of the Group
AMF Supply, Inc.	Trading of hotel amenities and accessories (Dissolved on 4 June 2007)	Company controlled by Ching Chi Fai, Ching Chau Chung and Ching Chi Keung
Ever-rich (Group) Limited	Trading of hotel amenities and accessories (Ceased trading of hotel amenities and accessories since November 2002 and is in the process of winding up)	Company controlled by Ching Chi Fai and Ching Chau Chung
Ming Fai Plastic Industrial Company	Manufacturing of plastic products (Ceased manufacturing of plastic products since April 2003)	Partnership owned by Ching Chi Fai, Ching Chau Chung and Ching Chi Keung
Quality Amenities Supply (M) Sdn. Bhd.	Trading of hotel amenities and accessories	Associated company of the Group

During the Relevant Periods, the Group had the following significant transactions with related parties:

(a) *Continuing*

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
(i) <i>Sales of goods</i>					
– to Quality Amenities Supply (M) Sdn. Bhd.	–	–	33	–	64
(ii) <i>Rental charged</i>					
– by Ming Fai Plastic Industrial Company	701	704	1,387	627	371
– by Liu Zigang	136	137	141	70	67

(b) *Discontinued*

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
(i) <i>Sales of goods</i>					
– to AMF Supply, Inc.	–	3,968	–	–	22
(ii) <i>Purchase of assets and services</i>					
Purchase of intangible assets					
– trademarks from AMF Supply, Inc.	–	–	43	–	–
– trademarks from Ever-rich (Group) Limited	16	–	–	–	–
Purchase of a property from Ching Chi Keung	–	–	–	–	900
Management service from Ming Fai Plastic Industrial Company	1,020	–	–	–	–
Marketing service from AMF Supply, Inc.	978	3,064	1,234	140	442
(iii) <i>Rental charged</i>					
– by Liu Zigang	68	68	70	35	–

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

Purchases of intangible assets are transacted based on actual costs incurred by the related parties.

Purchase of a property is transacted at normal commercial terms.

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

The Group leased certain properties from Ming Fai Plastic Industrial Company as one of its production base in the PRC. The transaction is carried out at normal commercial terms.

The Group leased two office premises in the PRC from Liu Zigang. The transactions are carried out at normal commercial terms.

(c) *Key management compensation*

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Basic salaries, housing allowances, other allowances and benefits-in-kind	5,454	5,272	6,550	2,818	3,150
Contributions to pension plans	113	118	134	65	65
	<u>5,567</u>	<u>5,390</u>	<u>6,684</u>	<u>2,883</u>	<u>3,215</u>

(d) *Year/period end balances arising from sales/purchase of goods/assets/services*

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due to				
– Ever-rich (Group) Limited	5,535	5,535	5,535	–
– Ming Fai Plastic Industrial Company	594	1,209	1,879	2,250
Amounts due from				
– Quality Amenities Supply (M) Sdn. Bhd	–	–	–	12
	<u>–</u>	<u>–</u>	<u>–</u>	<u>12</u>

(e) *Loans from shareholders/related parties and loan to an associated company*(i) *Loans from shareholders*

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
Beginning of the year/period	2,031	10,847	19,185	32,686
Loans drawn during the year/period	20,333	29,395	19,933	4,971
Repayments during the year/period	(11,519)	(21,261)	(6,730)	(2,717)
Interest expense	288	136	40	50
Interest paid during the year/period	(288)	(136)	(40)	(50)
Exchange differences	2	204	298	270
End of the year/period	<u>10,847</u>	<u>19,185</u>	<u>32,686</u>	<u>35,210</u>

The directors confirmed that the outstanding balances as at 30 June 2007 have been fully settled as at the date of this report.

(ii) *Loans from related parties*

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
Beginning of the year/period	57,210	13,791	24,548	27,580
Loans drawn during the year/period	2,113	26,534	9,308	–
Repayments during the year/period	(45,999)	(16,843)	(8,601)	(17,294)
Interest expense	192	–	–	–
Interest paid during the year/period	(192)	–	–	–
Exchange differences	<u>467</u>	<u>1,066</u>	<u>2,325</u>	<u>2,210</u>
End of the year/period	<u>13,791</u>	<u>24,548</u>	<u>27,580</u>	<u>12,496</u>

The balance as at 31 December 2004 was offset by the capital injection outstanding from a related party amounted to HK\$25 million. The amount was subsequently settled in 2005.

The directors confirmed that the outstanding balances as at 30 June 2007 have been fully settled as at the date of this report.

(iii) *Loan to an associated company*

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
Beginning of the year/period	-	-	-	484
Loan advanced during the year/period	-	-	484	-
Settlement during the year/period	-	-	-	(155)
End of the year/period	-	-	484	329

(f) *Guarantees given to certain banks in respect of bank borrowings of the Group by directors*

During the Relevant Periods, Mr. Ching Chi Fai and Mr. Ching Chau Chung provide personal guarantees to the banking facilities granted from Bank of China (Hong Kong) Ltd to two companies comprising the Group, namely Ming Fai Enterprise International Company Limited and Ming Fai Asia Pacific Company Limited. The extent of the guarantee is up to the amount utilised by the two companies. As at 31 December 2004, 2005 and 2006 and 30 June 2007, the two companies have not utilised any of these banking facilities. The directors confirmed that the arrangement will be replaced by a corporate guarantee given by the Company upon listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

(g) *Shareholders' indemnity*

In June 2007, the Food and Drug Administration of the United States ("FDA") issued a warning and import alert regarding toothpaste containing DEG, manufactured in China. Subsequently in August 2007, one of the Group's distributor customers in the United States made a press release on the FDA website alleging that certain toothpaste supplied by the Group was found to contain DEG, and a voluntary recall of the toothpaste has been conducted in cooperation with the FDA accordingly. For the six months ended 30 June 2007, the Group has made a provision of HK\$3.9 million to cover the potential loss arising from this toothpaste issue. Should the potential loss exceed the existing provision amount, the shortfall will be covered by the indemnity provided by the Controlling Shareholders.

33 Subsequent events

The Reorganisation was completed after 30 June 2007 and details are set out in Note 1 (b).

On 10 July 2007 and 23 July 2007, two loans of RMB10 million (equivalent to HK\$10.4 million) and RMB15 million (equivalent to HK\$15.6 million) respectively, have been drawn down by a company comprising the Group, under the banking facility granted by a commercial bank. These loans bear interest at 7.23% and 7.52% per annum, and are repayable by July 2008. These loans are secured by the Group's leasehold land & land use rights and certain property, plant and equipment.

On 11 September 2007, 14 September 2007 and 20 September 2007, companies comprising the Group signed facility agreements with certain commercial banks under which the Group was granted three term loan facilities amounting to US\$1.0 million (equivalent to HK\$7.8 million), US\$1.1 million (equivalent to HK\$8.6 million), and HK\$15 million. The US\$ denominated term loans, which bear interest at London Inter-bank Offering Rates ("LIBOR") plus 70 basis points per annum, are secured by bank deposits of RMB7.7 million (equivalent to HK\$8.0 million) and RMB8.3 million (equivalent to HK\$8.6 million), respectively, and are repayable in September 2008. The remaining HK\$ denominated term loan of HK\$15 million bears interest at prime rate plus 100 basis points per annum and repayable the earlier of 31 December 2007 or one month after the successful listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited.

34 Financial information of the Company

The Company was incorporated on 29 May 2007. As at 30 June 2007, the Company had cash balance of HK\$0.02 representing share capital of HK\$0.02. The Company had no other assets, liabilities or distributable reserve at that date.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2007. Save as disclosed in this report, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2007.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2007 as if the Share Offer had taken place on 30 June 2007 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 30 June 2007 or at any future dates following the Share Offer.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2007 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Share Offer <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per share <i>(Note 3)</i> <i>HK\$</i>
Based on an Offer Price of HK\$2.50 per share	<u>226,698</u>	<u>342,395</u>	<u>569,093</u>	<u>0.95</u>
Based on an Offer Price of HK\$2.98 per share	<u>226,698</u>	<u>412,595</u>	<u>639,293</u>	<u>1.07</u>

Notes:

1. The adjusted combined net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2007 is based on the audited combined net assets of the Group attributable to equity holders of the Company as at 30 June 2007 of approximately HK\$227,377,000, as extracted from the Accountants' Report set out in Appendix I to the Prospectus, with an adjustment for excluding the intangible assets of the Group as at 30 June 2007 of HK\$679,000.
2. The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$2.50 and HK\$2.98 per Share respectively after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

**C. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED
PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道會計師事務所

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

**REPORT FROM REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA
FINANCIAL INFORMATION
TO THE DIRECTORS OF MING FAI INTERNATIONAL HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of Ming Fai International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages II-1 to II-2 under the headings of “Unaudited Pro Forma Adjusted Net Tangible Assets” and “Unaudited Pro Forma Forecast Earnings Per Share” (the “Unaudited Pro Forma Financial Information”) in Appendix II of the Company’s prospectus dated 22 October 2007 (the “Prospectus”), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group as at 30 June 2007 and the unaudited forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2007 with the accountants’ report as set out in Appendix I of the Prospectus and profit forecast as set out in the section headed “Financial Information” in the Prospectus respectively, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2007 or any future dates, or
- the earnings per share of the Group for the year ending 31 December 2007 or any future periods.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 October 2007

The forecast consolidated net profit after tax attributable to equity holders of the Company for the year ending 31 December 2007 is set out in the section headed “Financial Information – Profit forecast”.

A. BASES AND ASSUMPTIONS

The Directors have prepared the forecast consolidated profit attributable to the equity holders of the Company for the year ending 31 December 2007 based on the audited combined results of the Group for the six months ended 30 June 2007, the unaudited combined results based on management accounts for the two months ended 31 August 2007 and a forecast of the consolidated results of the Group for the remaining four months ending 31 December 2007. The profit forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as summarised in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus and on the following assumptions:

- (a) there will be no material changes in existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in any of the countries, regions or industries in which we operate, where our customers carry out business, to where we export our products or from which we import our raw materials;
- (b) there will be no significant fluctuations in currency exchange rates, interest rates and tariffs and duties in the respective countries in which we operate;
- (c) there will be no material changes in the bases or rates of taxation applicable to us in the respective jurisdictions in which we operate;
- (d) we will not be materially and adversely affected by any of the risk factors set out in the section headed “Risk Factors”; and
- (e) our operation and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of our Directors, including but not limited to the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents.

B. LETTERS

Set out below are the texts of the letters, prepared for inclusion in this prospectus, received from the Company's reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong and from the Sponsor in connection with the forecast of the consolidated profit attributable to the equity holders of the Company for the year ending 31 December 2007.

(i) Letter from PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

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

The Directors
Ming Fai International Holdings Limited

DBS Asia Capital Limited

22 October 2007

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of Ming Fai International Holdings Limited (the "Company") for the year ending 31 December 2007 (the "Profit Forecast") as set out in the subsection headed "Profit Forecast" in the section headed "Financial Information" in the prospectus of the Company dated 22 October 2007 (the "Prospectus").

We conducted our work in accordance with the Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the Directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2007, the unaudited combined results based on management accounts for the two months ended 31 August 2007 and a forecast of the consolidated results of the Group for the remaining four months ending 31 December 2007, on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2007.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the Directors of the Company as set out on page III-1 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in note 3 of Section II of our accountants' report dated 22 October 2007, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(ii) Letter from the Sponsor

**DBS Asia Capital Limited**

22/F, The Center

99 Queen's Road Central

Hong Kong

22 October 2007

The Directors

Ming Fai International Holdings Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to the shareholders of Ming Fai International Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ending 31 December 2007 (the "Profit Forecast") as set out in the section entitled "Financial Information – Profit Forecast" of the prospectus of the Company dated 22 October 2007 (the "Prospectus").

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Group for the six months ended 30 June 2007, the unaudited combined results based on management accounts for the two months ended 31 August 2007 and a forecast of the consolidated results of the Group for the remaining four months ending 31 December 2007, on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2007.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated 22 October 2007 addressed to yourselves and ourselves from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Forecast, for which you are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
DBS Asia Capital Limited
George Hongchoy
Managing Director

The following is the text of a letter and valuation certificates, prepared for the purposes of incorporation in this prospectus received from Vigers Appraisal and Consulting Limited, an independent value, in connection with its valuation as at 31 August 2007 of the captioned property interests held by Ming Fai International Holdings Limited in Hong Kong, the PRC and Singapore.



**Vigers Appraisal and Consulting Limited
International Property Consultants**

10/F The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

22 October 2007

The Directors
Ming Fai International Holdings Limited
3/F Mai Kei Industrial Building
No. 5 San Hop Lane
Tuen Mun, New Territories
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Ming Fai International Holdings Limited (referred hereinafter to as the “Company”) together with its subsidiaries (referred hereinafter collectively as the “Group”) in Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”) and Singapore, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market value of such property interests as at 31 August 2007 (the “Date of Valuation”) for incorporation into this prospectus.

Our valuation is our opinion of market value of the property interests which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing Property No. 1 in Group I and Property Nos. 4 to 6 in Group II, we have valued each of these property interests by Direct Comparison Approach assuming sale of each of these properties which are currently owner occupied with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant markets.

In valuing the property interests in Group II except for those mentioned in the above paragraph, which are held and occupied by the Group in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property interests as a whole. In the valuation of the land portion, reference has been made to the standard land prices in Shenzhen and Luoding City in Guangdong Province and sales evidences as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The approach is subject to adequate potential profitability of the business. Our opinion of value for each individual property does not necessarily represent the amount that might be realised in the market from the disposal of that particular property. However, the depreciated replacement cost approach generally furnished the most reliable indication of value for property in the absence of a known market based on comparable sales. This approach is subject to adequate potential profitability of the business.

For property interests in Group III and IV which are rented by the Group in the PRC and Singapore, we have assigned no commercial value to them mainly due to the prohibition against assignment, the lack of substantial profit rents or the short term nature of such interests.

Our valuation has been made on the assumption that the owners sell the property interests in the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase the values of the property interest. Furthermore, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no forced sale situation in any manner is assumed in our valuation.

In valuing the property in Hong Kong, the Government Leases of which expire before 30 June 1997, we have taken account of the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases will be extended without premium until 30 June 2047 and that an annual rent of three per cent. of the rateable value will be charged from the date of extension.

In the course of our valuation, we have assumed that the owners have free and uninterrupted rights to use, occupy or assign the property interests for the whole of the unexpired term of the respective land use rights. Furthermore, we have also assumed that all consents, approvals and licences from relevant PRC government authorities for development of the property interests were granted without any onerous conditions or undue delay.

Except for the Hong Kong property mentioned in Group I of the report, we have not caused title searches to be made for the property interests at the relevant government bureau in the PRC. However, we have been provided with extracts of title documents relating to the property interest. We have not searched the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which do not appear on the copies handed to us. All documents have been used for reference only. All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and therefore are only approximations.

In undertaking our valuation of the property interests, we have relied on the legal opinion provided by the Group's legal adviser, Zhong Lun Law Firm (the "PRC Legal Opinion"). Based on the Legal Opinion, details of the current status of titles, grant of major approvals, licenses and documents of the property interests are set out in the valuation certificates.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also advised by the Group that no material factors have been concealed or omitted from the information supplied, and have no reason to suspect that any material information has been withheld. We consider that we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible, the interior of the premises. However, no structural survey has been made and we are therefore unable to report whether the property interests are free from rot, infestation or any other structural defects, though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

In valuing the property interests, we have complied with all the requirements set out in Chapter Five, Practice Notes 12 and 16 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited. In addition, our valuations are prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors ("HKIS").

No allowance has been made in our valuation for any charge, mortgage or amount owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts stated are in Hong Kong Dollars. The exchange rate used in valuing the property interests in the PRC as at 31 August 2007 was HK\$1.00=RMB0.9698. There has been no significant fluctuation in the exchange rates for RMB against Hong Kong Dollars between that date and the date of this letter.

We enclosed herewith our summary of valuation and valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Executive Director

Note: Raymond K. K. Ho, Chartered Surveyor, MRICS, MHKIS, MSc (e-com) has 20 years experience in undertaking valuation of properties in Hong Kong and has over 13 years' experience in the valuation of properties in the PRC. He also has extensive valuation experience of over 10 years in the valuation of leased properties in Singapore.

SUMMARY OF VALUATION

Group I – Property interest held and occupied by the Group in Hong Kong

	Market Value as at 31 August 2007	Interest Attributable to the Group	Capital Value attributable to the Group as at 31 August 2007
1. Units A to F on 3rd Floor, Units A to F on 4th Floor and Units C, E and F on 6th Floor and Car Parking Space Nos. 19, 21 to 23 on Ground Floor of Mai Kei Industrial Building, No. 5 San Hop Lane, Tuen Mun, New Territories, Hong Kong	HK\$10,380,000	100%	HK\$10,380,000
	_____		_____
Sub-total:	<u>HK\$10,380,000</u>		<u>HK\$10,380,000</u>

	Market Value as at 31 August 2007	Interest Attributable to the Group	Capital Value attributable to the Group as at 31 August 2007
Group II – Property interests held and occupied by the Group in the PRC			
2. An industrial complex located at Hediling, Bainikeng Village, Pinghu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC	RMB56,500,000 (equivalent to approximately HK\$58,260,000)	100%	RMB56,500,000 (equivalent to approximately HK\$58,260,000)
3. A parcel of land located at Shuangdong Town, Luoding City, Guangdong Province, the PRC	No commercial value	100%	Nil
4. Levels 1-4 of No.36 of Lane 2 Suide Road, Putuo District, Shanghai, the PRC	RMB14,000,000 (equivalent to approximately HK\$14,440,000)	100%	RMB14,000,000 (equivalent to approximately HK\$14,440,000)
5. Room 101, Block 6, Spring Garden, Lane 999 Loushanguan Road, Changning District, Shanghai, the PRC	RMB5,040,000 (equivalent to approximately HK\$5,200,000)	100%	RMB5,040,000 (equivalent to approximately HK\$5,200,000)
6. Units 115 and 116, No. 97 East Street, Jinjiang District, Chengdu City, Sichuan Province, the PRC	RMB2,450,000 (equivalent to approximately HK\$2,530,000)	100%	RMB2,450,000 (equivalent to approximately HK\$2,530,000)
Sub-total:	RMB77,990,000 (equivalent to approximately HK\$80,430,000)		RMB77,990,000 (equivalent to approximately HK\$80,430,000)

	Market Value as at 31 August 2007	Interest Attributable to the Group	Capital Value attributable to the Group as at 31 August 2007	
Group III – Property interests leased and occupied by the Group in the PRC				
7.	No. 1 Gongye Road, Luochengzhen, Luoding City, Guangdong Province, the PRC	No commercial value	100%	Nil
8.	Levels 2 to 5 (formerly known as Fei Ma Shopping Arcade) and level 1 of the ancillary building together with the land parcel between the two buildings located at No. 10 Fenghua Road, Luocheng Town, Luoding City, Guangdong Province, the PRC	No commercial value	100%	Nil
9.	An industrial complex located at Nijiukeng, Hediling, Bainikeng Village, Pinghu Town, Longgang District, Shenzhen, Guangdong Province, the PRC	No commercial value	100%	Nil
10.	Unit A2 on Level 10 of Block 5, Section 1101 of Block A of Huapu Garden, Dongsishi, Dongcheng District, Beijing, the PRC	No commercial value	100%	Nil
11.	Unit 302, Yi Men 16 You, Xin Zhong Xi Street, Dongcheng District, Beijing, the PRC	No commercial value	100%	Nil
12.	Unit 901 on Level 9 of Shengshi Building located at No. 35 Luxun Road, Zhongshan District, Dalian City, Liaoning Province, the PRC	No commercial value	100%	Nil
13.	Unit 1 on Level 3 of Block Dong San located at No. 25 Yihe Street, Zhongshan District, Dalian City, Liaoning Province, the PRC	No commercial value	100%	Nil
	Sub-total:	<u>Nil</u>		<u>Nil</u>

	Market Value as at 31 August 2007	Interest Attributable to the Group	Capital Value attributable to the Group as at 31 August 2007
Group IV – Property interest leased and occupied by the Group in Singapore			
14. An office and a warehouse unit located at Block 151 Pasir Panjang Road, #03-18 Pasir Panjang Distripark, Singapore	No commercial value	100%	Nil
Sub-total:	<u>Nil</u>		<u>Nil</u>
GRAND TOTAL:	<u>HK\$90,810,000</u>		<u>HK\$90,810,000</u>

VALUATION CERTIFICATE

Group I – Property interest held and occupied by the Group in Hong Kong

No.	Property	Description and Tenure	Particulars of occupancy	Market value as at 31 August 2007
1.	Units A to F on 3rd Floor, Units A to F on 4th Floor and Units C, E and F on 6th Floor and Car Parking Space Nos. 19, 21 to 23 on Ground Floor of Mai Kei Industrial Building, No. 5 San Hop Lane, Tuen Mun, New Territories, Hong Kong	<p>The property comprises 15 industrial units on the 3rd, 4th and 6th Floor and 4 car parking spaces on the Ground Floor of a 24-storey industrial building completed in 1979.</p> <p>The property has a total gross floor area of approximately 20,395 sq.ft.</p>	The Property is currently occupied by the Group for storage and ancillary office use.	<p>HK\$10,380,000 (100% interest attributable to the Group)</p> <p>Capital Value attributable to the Group as at 31 August 2007</p> <p>HK\$10,380,000</p>
	104 / 1,237th parts or shares of and in Castle Peak Town Lot No. 44.	<p>The property is held under New Grant No. 1720 for a term commencing from 1 July 1898. By virtue of the New Territories (Extension) Ordinance, the said term has been extended without premium until 30 June 2047 at a new rent payable of HK\$268 per annum.</p>		

Notes: According to the record in the Land Registry as at the latest practicable date, details of ownerships and encumbrances of the property are furnished as follows:

1. The registered owner of the property is Ming Fai Asia Pacific Company Limited (formerly known as Ming Fai Group Holdings Limited).
2. The property is subject to a Letter of Compliance vide Memorial No. TM187601 dated 4 August 1997.
3. The property is subject to a Mutual Covenant in favour of Anchor Ye Co. Ltd. vide Memorial No. TM194292 dated 23 August 1979.

VALUATION CERTIFICATE

Group II – Property interests held and occupied by the Group in the PRC

No.	Property	Description and Tenure	Particulars of occupancy	Market value as at 31 August 2007
2.	An industrial complex located at Hediling, Bainikeng Village, Pinghu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC	<p>The property comprises two parcels of lands together with 18 buildings and structures completed in 2003 erected thereon.</p> <p>The property has a total site area and total gross floor area of approximately 53,242.8 sq.m. and 58,438.99 sq.m. respectively.</p> <p>One parcel of land with a site area of approximately 25,871.8 sq.m. ("Pinghu Land I") has been granted to Ming Fai Shenzhen with land use rights for a term of 50 years expiring on 29 June 2050 for industrial use.</p> <p>The remaining parcel of land with a site area of approximately 27,371 sq.m. ("Pinghu Land II") has been leased to Ming Fai Shenzhen for a term of 50 years expiring on 31 December 2051 for industrial use.</p>	The property at present is occupied by the Group for industrial, storage, office, dormitory and ancillary uses.	<p>RMB56,500,000 (100% interest attributable to the Group)</p> <p>Capital Value attributable to the Group as at 31 August 2007</p> <p>RMB56,500,000</p>

Notes:

- Pursuant to five Real Estate Ownership Certificates (Document Nos.: Shen Fang Di Zi No. 6000163689, 6000163690, 6000163691, 6000163692 and 6000163693), the land use rights of Pinghu Land I, the owned land with a Lot No. G05602-110 and having a site area of approximately 25,871.8 sq.m., has been granted to Ming Fai Enterprise (Shenzhen) Company Limited ("Ming Fai Shenzhen") for a term of 50 years commencing from 30 June 2000 to 29 June 2050 for industrial use.

Furthermore, the ownerships to the following five buildings of the property having a total gross floor area of approximately 38,229.44 sq.m. are vested in Ming Fai Shenzhen. The particulars to those five buildings are as follows:

Building Name	Gross Floor Area (sq.m.)	No. of storey	Real Estate Ownership Certificate (Document No.)	Remark
Workshop No. 1	11,858.17	5	Shen Fang Di Zi No. 6000163689	Erected on Pinghu Land I
Workshop No. 2	11,858.17	5	Shen Fang Di Zi No. 6000163690	Erected on Pinghu Land I
Administrative Building	4,629.68	5	Shen Fang Di Zi No. 6000163691	Erected on Pinghu Land I
Dormitory No. 2	4,941.71	5	Shen Fang Di Zi No. 6000163692	Erected on Pinghu Land I
Dormitory No. 1	4,941.71	5	Shen Fang Di Zi No. 6000163693	Erected on Pinghu Land I
Sub-total:	<u>38,229.44</u>			

2. Other than those 5 buildings mentioned above, there are 6 other buildings having a total gross floor area of approximately 1,322.74 sq.m. erected on Pinghu Land I. As confirmed by the Ming Fai Shenzhen, these 6 buildings have not been awarded with relevant Real Estate Ownership Certificates. The particulars of those 6 buildings are as follows:

Building Name	Gross Floor Area (sq.m.)	No. of storey	Real Estate Ownership Certificate (Document No.)	Remark
Office Building and Electricity Transformer Room	485.22	2	N/A	Erected on Pinghu Land I
Paper Warehouse	601.30	1	N/A	Erected on Pinghu Land I
Dangerous Goods Warehouse	168.24	1	N/A	Erected on Pinghu Land I
Security Room	45.78	1	N/A	Erected on Pinghu Land I
Sentry Box	17.40	1	N/A	Erected on Pinghu Land I
Sentry Box	4.80	1	N/A	Erected on Pinghu Land I
Sub-total:	<u>1,322.74</u>			

We have ascribed no commercial value to these 6 buildings with a total gross floor area of approximately 1,322.74 sq.m.. As these buildings have not been awarded with relevant Real Estate Ownership Certificates and are forbidden to be transferred in the market. However, for indicative purpose, the depreciated replacement cost of these buildings as at the Date of Valuation is circa RMB800,000 assuming that they have obtained effective Real Estate Ownership Certificates and are entitled to freely transfer in the market.

3. Pursuant to a lease agreement entered into between Committee of Bainikeng Village, Pinghu Town, Longgang District, Shenzhen (Party C) and Ming Fai Shenzhen dated 26 September 2002, the remaining land parcel of the property (referred hereinafter as "Pinghu Land II") with a site area of approximately 27,371 sq.m. has been leased from Party C to Ming Fai Shenzhen for a term of 50 years commencing from 1 January 2002 and expiring on 31 December 2051 at a total rent of RMB2,737,100 for industrial use.
4. There are another 7 buildings having a total gross floor area of approximately 18,886.81 sq.m. erected on Pinghu Land II and these buildings are without Real Estate Ownership Certificates. These buildings were built by Ming Fai Shenzhen. The particulars of those 7 buildings are as follows:

Building Name	Gross Floor Area (sq.m.)	No. of storey	Real Estate Ownership Certificate (Document No.)	Remark
Dormitory for Hong Kong Staff	2,363.00	4 (portion 5-storey)	N/A	Erected on Pinghu Land II
Store	636.78	1	N/A	Erected on Pinghu Land II
Canteen & Kitchen	1,576.28	2	N/A	Erected on Pinghu Land II
Bathroom	1,220.20	1	N/A	Erected on Pinghu Land II
Big Warehouse	13,061.25	1	N/A	Erected on Pinghu Land II
Sentry Box	17.30	1	N/A	Erected on Pinghu Land II
Sentry Box	12.00	1	N/A	Erected on Pinghu Land II
Sub-total:	<u>18,886.81</u>			

We have ascribed no commercial value to the buildings with a total gross floor area of approximately 18,886.81 sq.m.. As these buildings were built by Ming Fai Shenzhen on the leased land. Hence, they will not be able to obtain Real Estate Ownership Certificates as the land portion to these buildings is not vested in Ming Fai Shenzhen. As a result, they are forbidden to be transferred in the market.

However, for indicative purpose, the depreciated replacement cost of these buildings as at the Date of Valuation is circa RMB 14,800,000 assuming that they have obtained effective Real Estate Ownership Certificates and are entitled to freely transfer in the market.

5. According to the information provided by Ming Fai Shenzhen, a building with a gross floor area of approximately 250 sq. m. and falls within Pinghu Land I was under construction as at the Date of Valuation. The construction works is scheduled to be completed in end of 2007. The estimated total construction cost is approximately RMB306,381 and the construction cost incurred as at the Date of Valuation is RMB257,740.96. In the course of our valuation, we have not taken into account the said incurred construction costs.
6. According to the confirmation by Ming Fai Shenzhen, Party C (as the Lessor) of Pinghu Land II is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
7. Pinghu Land I and those 5 buildings erected thereon are subject to a mortgage vide Memorial Number (2005 Di 0155) in favour of Bank of China Shenzhen Branch for a term of 3 years commencing from 2 September 2005 and expiring on 2 September 2008.
8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:
 - (a) Ming Fai Shenzhen has legally obtained ownership to Pinghu Land I of the property and is entitled to transfer, mortgage, let and deal with Pinghu Land I of the property by other legal means. After completing relevant registration procedure and payment of relevant handling fee, Ming Fai Shenzhen does not require to pay any additional land premium or obtain any approval from government authority upon disposal of Pinghu Land I of the property. As confirmed by Ming Fai Shenzhen, Pinghu Land I of the property is not subject to requisition notice by the government or relevant bureau. The buildings erected on Pinghu Land II were self-constructed by Ming Fai Enterprise (Shenzhen) Company Limited. In accordance with Certain Regulations, Ming Fai Shenzhen shall pay the fine pursuant to the standard rate of RMB30/ sq.m. Pursuant to the confirmation issued by Ming Fai Shenzhen, the gross floor area of the buildings totaled 18,886.81sq.m. The total amount Ming Fai Shenzhen should pay was RMB566,604.30;
 - (b) The existing use of the property complies with the permitted use granted by law. It does not exist any dispute or potential entanglement or any restriction or possible restriction for Ming Fai Shenzhen to use the property;
 - (c) Ming Fai Shenzhen has completed necessary legal procedure to mortgage the property. The mortgage is effective and legal; and
 - (d) For Pinghu Land II currently leased to Ming Fai Shenzhen and 7 buildings erected thereon constructed by Ming Fai Shenzhen, Ming Fai Shenzhen can apply for the Real Estate Ownership Certificate according to "Certain Regulations for Dealing with Historical Illegal Buildings Structures of Manufacturing Operations of Shenzhen (《深圳經濟特區處理歷史遺留生產經營性違法建築若干規定》)" after payment of penalty and completing necessary land requisition and land grant procedures. Party C has titles over Pinghu Land II and has rights to lease to Ming Fai Shenzhen upon completion of the procedures for approval of conversion into construction land. Up to the date hereof, Party C has not yet completed the relevant approval procedures and our PRC legal advisers are unable to confirm the legality of the lease agreement of Pinghu Land II. Once Ming Fai Shenzhen obtained the real estate certificates for its building structures on Pinghu Land II, the lease by Party C can be legally confirmed.
9. According to the information provided, Ming Fai Shenzhen is a limited liability company incorporated in the PRC on 7 September 1992 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of occupancy	Market value as at 31 August 2007
3.	A parcel of land located at Shuangdong Town, Luoding City, Guangdong Province, the PRC	The property comprises a parcel of level land having a site area of approximately 100,000 sq.m. The property is a collective land. The property will be granted with land use rights for a term of 50 years commencing from the handover date for industrial use.	The property at present is a piece of raw land.	No commercial value (100% interest attributable to the Group) Capital Value attributable to the Group as at 31 August 2007 Nil

Notes:

1. According to a Land Use Rights Transfer Agreement entered into between the Municipal Government of Shuangdong Town, Luoding City, Guangdong Province (Party A) and Pacific Harvest International Limited (Pacific Harvest) dated 30 May 2006, the property having a site area of not less than 150 Mu (equivalent to approximately 100,000 sq.m.) has been transferred from Party A to Pacific Harvest for a term of 50 years commencing from the handover date for industrial use at a consideration of RMB64,826 per Mu for land inside the red line drawing plan and RMB30,000 per Mu for land outside the red line drawing plan but inside the blue line drawing plan.
2. We have ascribed no commercial value to the property due to the nature of the property is a collective land which is not freely transferable in the market unless its nature has been converted into construction land. However, for indicative purpose, the market value of the property is circa RMB21,000,000 assuming the property is a State-owned construction land and has obtained the State-owned Land Use Right Certificate in Grant Nature, hence which can be freely transferred in the market.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:
 - (a) The Land Use Rights Transfer Agreement is legally binding on both parties, Pacific Harvest is entitled to occupy the property subject to the Land Use Rights Transfer Agreement;
 - (b) The property will be occupied by the Luoding Quality Amenities Company Limited (referred hereinafter as "Luoding Quality Amenities"). According to the information provided, Luoding Quality Amenities is a wholly-owned subsidiary company of Pacific Harvest, thus it is entitled to occupy the property subject to the Land Use Rights Transfer Agreement;
 - (c) The property has been applied to convert the nature of land from Agriculture Land to Construction Land. Luoding Quality Amenities is entitled to hold the land use right of the property upon the completion of the land resumption and land grant procedures. There is no foreseeable legal impediments for Luoding Qualities Amenities to complete such procedures; and
 - (d) It does not exist any dispute or potential entanglement or any restriction or possible restriction for Luoding Quality Amenities to use the property.
4. According to the information provided, Pacific Harvest is a limited liability company incorporated in Hong Kong on 23 March 2006 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of occupancy	Market value as at 31 August 2007
4.	Levels 1-4, No.36 of Lane 2 Suidе Road, Putuo District, Shanghai, the PRC	The property comprises a four-storey industrial building completed in 2004. The property has a total gross floor area of approximately 3,199.23 sq.m. The property has been granted with land use rights for a term expiring on 9 November 2053 for industrial and storage uses.	Levels 1 and 2 are under internal decoration and will be ready for occupation in the 3rd Quarter of 2007 as industrial workshop, ancillary office and storage uses. Levels 3 and 4 are currently vacant.	RMB14,000,000 (100% interest attributable to the Group) Capital Value attributable to the Group as at 31 August 2007 RMB14,000,000

Notes:

- According to four Shanghai Certificates of Real Estate Ownership (Document Nos.: Hu Fang Di Pu Zi (2006) Nos. 031628 & 031629 and Hu Fang Di Pu Zi (2007) Nos. 005348 & 005350), the property is erected amid a parcel of land with a Lot No. 普陀區真如鎮428街坊2/1丘 (Putuo District Zhenru Zhen 428 Jiefang 2/1 Qiu) and having a total site area of approximately 88,744 sq. m. for industrial and warehouse uses. The land use rights together with the building ownership to the property with a total gross floor area of approximately 3,199.23 sq.m. is vested in Ming Fai Enterprise (Shenzhen) Company Limited (referred hereinafter as "Ming Fai Shenzhen") for a term of 50 years commencing from 10 November 2003 and expiring on 9 November 2053 for industrial and storage uses. Details of the above-mentioned certificates are summarised as follows:

Level	Shanghai Certificate of Real Estate Ownership (Document Nos.)	Gross Floor Area (sq. m.)
1	Hu Fang Di Pu Zi (2006) No. 031629	787.68
2	Hu Fang Di Pu Zi (2006) No. 031628	803.85
3	Hu Fang Di Pu Zi (2007) No. 005350	803.85
4	Hu Fang Di Pu Zi (2007) No. 005348	803.85
Total:		<u>3,199.23</u>

- According to four Sale and Purchase Agreements dated 10 August 2006 and 23 January 2007 entered into between 上海亞華置業發展有限公司, 上海建島置業有限公司 (Shanghai Yahua Property Development Company Limited and Shanghai Jiandao Property Company Limited, collectively as the Vendor) and Ming Fai Shenzhen, Ming Fai Shenzhen agreed to purchase from the Vendor the property at a total consideration of RMB12,994,655. As confirmed by the Group, the Vendor is an Independent Third Party to the Group.
- We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:
 - Ming Fai Shenzhen has legally obtained ownership to the property and is entitled to transfer, mortgage, let and deal with the property by other legal means. After completing relevant registration procedure and payment of relevant handling fee, Ming Fai Shenzhen does not have to pay any additional land premium or obtain any approval from government authority upon disposal of the property. As confirmed by Ming Fai Shenzhen, the property is not subject to requisition notice by the government or relevant bureau; and

- (b) The existing use of the property complies with the permitted use granted by law. It does not exist any dispute or potential entanglement or any restriction or possible restriction for Ming Fai Shenzhen to use the property.
- 4. According to the information provided, Ming Fai Shenzhen is a limited liability company incorporated in the PRC on 7 September 1992 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of occupancy	Market value as at 31 August 2007
5.	Room 101, Block 6, Spring Garden, Lane 999 Loushanguan Road, Changning District, Shanghai, the PRC	<p>The property comprises a residential unit on the second floor of a five-storey (including a garage floor) residential building completed in 2003.</p> <p>The property has a gross floor area of approximately 201.41 sq.m.</p> <p>The property has been granted with land use rights for a term expiring on 7 March 2071 for residential use.</p>	The property is occupied by the Group as office.	<p>RMB5,040,000 (100% interest attributable to the Group)</p> <p>Capital Value attributable to the Group as at 31 August 2007</p> <p>RMB5,040,000</p>

Notes:

1. According to a Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Chang Zi (2003) No. 030178), the property is erected amid a parcel of land with a Lot No. 長寧區周家橋街道94街坊1/4丘 (Changning District Zhoujiaqiao Jiedao 94 Jietang 1/4 Qiu) and having a total site area of approximately 65,296 sq. m. for residential use. The land use rights together with the building ownership to the property with a gross floor area of approximately 201.41 sq.m. is vested in Ming Fai Enterprise (Shenzhen) Company Limited (referred hereinafter as "Ming Fai Shenzhen") for a term of 70 years commencing from 8 March 2001 and expiring on 7 March 2071 for residential use.
2. According to a Sale and Purchase Agreement dated 7 November 2003 entered into between 丁燁 (as the Vendor) and Ming Fai Shenzhen, Ming Fai Shenzhen agreed to purchase from the Vendor the property at a consideration of RMB2,210,000. As confirmed by the Group, the Vendor is an Independent Third Party to the Group.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:
 - (a) Ming Fai Shenzhen has legally obtained ownership to the property and is entitled to transfer, mortgage, let and deal with the property by other legal means. After completing relevant registration procedure and payment of relevant handling fee, Ming Fai Shenzhen does not require to pay any additional land premium or obtain any approval from government authority upon disposal of the property. As confirmed by Ming Fai Shenzhen, the property is not subject to requisition notice by the government or relevant bureau; and
 - (b) The existing use of the property complies with the permitted use granted by law. It does not exist any dispute or potential entanglement or any restriction or possible restriction for Ming Fai Shenzhen to use the property.
4. According to the information provided, Ming Fai Shenzhen is a limited liability company incorporated in the PRC on 7 September 1992 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of occupancy	Market value as at 31 August 2007
6.	Units 115 and 116, No.97 East Street, Jinjiang District, Chengdu City, Sichuan Province, the PRC	<p>The property comprises two commercial units on the Ground Floor of a twenty-storey composite building completed in 2005.</p> <p>The property has a total gross floor area of approximately 118.72 sq.m.</p> <p>The property has been granted with land use rights for a term expiring on 20 March 2044 for commercial use.</p>	The property is under internal decoration and will be ready for occupation in 3rd Quarter of 2007 as retail shop.	<p>RMB 2,450,000 (100% interest attributable to the Group)</p> <p>Capital Value attributable to the Group as at 31 August 2007</p> <p>RMB2,450,000</p>

Notes:

- According to a State-owned Land Use Right Certificate (Document No.: Cheng Guo Yong (2007) No. 101) vested in 四川藍光和駿實業股份有限公司 (Sichuan Langnang Hejun Enterprise Company Limited) (as the Developer), the property is erected amid a parcel of land having a total site area of approximately 11,874.92 sq. m. for commercial and other commercial services (office) uses. The land use rights to the property has been granted for a term of 40 years expiring on 20 March 2044. As confirmed by the Developer, the individual State-owned Land Use Right Certificate vested in Ming Fai Enterprise (Shenzhen) Company Limited (referred hereinafter as "Ming Fai Shenzhen") will be awarded in the end of 2007.
- According to two Building Ownership Certificates (Document Nos.: Cheng Fang Quan Zheng Jian Zheng Zi Nos. 1415430 and 1415431), the building ownership to the property with a total gross floor area of approximately 118.72 sq.m. is vested in Ming Fai Shenzhen for commercial use. Details of the above-mentioned certificates are summarized as follows:

Unit	Building Ownership Certificate (Document Nos.)	Gross Floor Area (sq.m.)
115	Cheng Fang Quan Zheng Jian Zheng Zi No.1415431	59.29
116	Cheng Fang Quan Zheng Jian Zheng Zi No. 1415430	59.43
Total:		<u>118.72</u>

- According to two Sale and Purchase Agreements dated 29 April 2005 entered into between 四川藍光和駿實業股份有限公司 (Sichuan Langnang Hejun Enterprise Company Limited) (as the Vendor) and Ming Fai Shenzhen, Ming Fai Shenzhen agreed to purchase from the Vendor the property at a consideration of RMB2,380,000. As confirmed by the Group, the Vendor is an Independent Third Party to the Group.
- We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:

- (a) Pursuant to the documents provided by the Company, the property was acquired by Ming Fai Shenzhen from the Developer. The Developer has obtained the State-owned Land Use Right Certificate and the issuance of individual State -owned Land Use Right Certificate vested in Ming Fai Shenzhen is in the process. In practice, the owner of the property has to obtain the Building Ownership Certificate before the State -owned Land Use Right Certificate;
 - (b) Pursuant to the People's Republic of China City Real Estate Administration Regulation, the purchaser of a property once has obtained the Building Ownership Certificate and is entitled to freely transfer, mortgage, let and deal with property by other legal means;
 - (c) Ming Fai Shenzhen has obtained the Building Ownership Certificates and legally obtained ownership to the property and is entitled to freely transfer, mortgage, let and deal with the property by other legal means. Ming Fai Shenzhen has not obtained the State-owned Land Use Right Certificate of the property. It does not affect its legal rights to deal with the property;
 - (d) After completing relevant registration procedure and payment of relevant handling fee, Ming Fai Shenzhen does not have to pay any additional land premium or obtain any approval from government authority upon disposal of the property. As confirmed by Ming Fai Shenzhen, the property is not subject to requisition notice by the government or relevant bureau; and
 - (e) The existing use of the property complies with the permitted use granted by law. It does not exist any dispute or potential entanglement or any restriction or possible restriction for Ming Fai Shenzhen to use the property.
5. According to the information provided, Ming Fai Shenzhen is a limited liability company incorporated in the PRC on 7 September 1992 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group III – Property interests leased and occupied by the Group in the PRC

No.	Property	Description	Particulars of occupancy	Market value as at 31 August 2007
7.	No. 1 Gongye Road, Luochengzhen, Luoding City, Guangdong Province, the PRC	<p>The property comprises the en bloc of a 11-storey building completed in 1989.</p> <p>According to the building ownership certificate granted to the property and mentioned in Note 1, the property has a total gross floor area of approximately 12,401.3 sq.m.</p>	<p>The property is leased to the Group from an Independent Third Party for a term of three years commencing from 1 September 2006 to 30 September 2009 at a monthly rent of RMB 25,000 for the first year and RMB 30,000 for the second and third years.</p> <p>The property at present is occupied by the Group for industrial, storage and office uses.</p>	No commercial value

Notes:

1. According to a Building Ownership Certificate (Document No.: Yue Fang Zi No. 1153248), the building ownership to the property with a total gross floor area of approximately 12,401.3 sq.m. is vested in 羅定縣招商大廈 (Luoding Merchants Building).
2. According to a tenancy agreement entered into between 羅定市對外貿易經濟合作局 (Bureau of External Economic Development of Luoding City) (the “Lessor”) and Luoding Quality Amenities Company Limited (the “Lessee”), the Lessee has leased the property from the Lessor – an Independent Third Party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:
 - (a) The property was constructed by the predecessor of the Lessor in the name of Management Team of Merchants Building of Luoding External Economic Committee (羅定縣外經委招商大廈管理小組) in 1987. Due to mistaken registration, the relevant building owner certificate issued to the property was registered in the name of Luoding Merchants Building. However, Luoding Merchants Building had not made any business registration as an operating entity and in the premises the real title owner of the property should be the Lessor.
 - (b) The Lessor has real and beneficial ownership of the property and the relevant tenancy agreement is legal and valid. The Lessor can let the property;
 - (c) The tenancy agreement has been duly registered in the relevant government organisation; and
 - (d) It does not exist any dispute or potential entanglement or any restriction or possible restriction for the Lessee to use the property.
4. According to the information provided, the Lessee is a limited liability company incorporated in the PRC on 1 August 2006 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description	Particulars of occupancy	Market value as at 31 August 2007
8.	Levels 2 to 5 (formerly known as Fei Ma Shopping Arcade) and level 1 of the ancillary building together with the land parcel between the two buildings located at No. 10 Fenghua Road, Luocheng Town, Luoding City, Guangdong Province, the PRC	<p>The property comprises levels 2 to 5 of a 5-storey building and level 1 of another 5-storey building both completed in 1985 together with a parcel of land between these two buildings.</p> <p>The property has a total lettable area and site area of approximately 1,280 sq.m. and 80 sq.m. respectively.</p>	<p>The property is leased to the Group from an Independent Third Party for a term of three years commencing from 1 September 2006 to 31 August 2009 at a monthly rent of RMB6,500. The property is subject to a decoration period commencing from 5 August 2006 and expiring on 31 August 2006.</p> <p>The property at present is occupied by the Group as dormitory and canteen.</p>	No commercial value

Notes:

1. According to a State-owned Land Use Right Certificate (Document No.: Luo Fu Guo Yong (94) Zi No. 1410) and a Building Ownership Certificate (Document No.: Yue Fang Zi No. 3115606), the building ownership to the property with a total gross floor area of approximately 1,791.97 sq.m. is vested in 國營飛馬林場 (State-operated Fei Ma Lin Chang), which later change its name to 雲浮市國有飛馬林場 (Yunfu City State-owned Feima Linchang).
2. According to a tenancy agreement entered into between 雲浮市國有飛馬林場 (Yunfu City State-owned Feima Linchang) (the "Lessor") and Luoding Quality Amenities Company Limited (as the "Lessee"), the Lessee has leased the property from the Lessor – an Independent Third Party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:
 - (a) The tenancy agreement is valid and legally binding on both parties and the Lessor can let the property;
 - (b) The tenancy agreement has been duly registered in the relevant government organisation; and
 - (c) It does not exist any dispute or potential entanglement or any restriction or possible restriction for the Lessee to use the property.
4. According to the information provided, the Lessee is a limited liability company incorporated in the PRC on 1 August 2006 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description	Particulars of occupancy	Market value as at 31 August 2007
9.	An industrial complex located at Nijiukeng, Hediling, Bainikeng Village, Pinghu Town, Longgang District, Shenzhen, Guangdong Province, the PRC	<p>The property comprises a parcel of land together with 5 buildings erected thereon.</p> <p>The property has a site area and total gross floor area of approximately 4,400 sq.m. and 11,062.2 sq.m. respectively.</p>	<p>The land parcel and three of the buildings having a site area and total gross floor area of approximately 4,400 sq.m. and 2,376 sq.m. respectively is leased from an independent third party to 香港明輝塑膠實業公司 (Ming Fai Plastic Industrial Co.) (a related party to the Group, referred hereinafter as the “Head-lessee”) and then sub-leased to Ming Fai Enterprise (Shenzhen) Company Limited (the “Sub-lessee”). (Detail of the tenancy, please refer to Note 2).</p> <p>The other two buildings with a total gross floor area of 8,686.2 sq. m. were sub-leased from the Head-lessee to the Sub-lessee for a term of 2 years expiring on 31 December 2008. Detail of the tenancy, please refer to Note 5.</p> <p>The property at present is occupied by the Group for production, warehouse, dormitory and ancillary uses.</p>	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between the Village Committee of Bainikeng Pinghu Town, Baoan County (an independent third party, referred hereinafter as the “Lessor”) and 明輝塑膠實業公司 (Ming Fai Plastic Industrial Co. which is a related party to the Group, referred hereinafter as the “Head-lessee”), the land parcel together with three buildings of the property having a site area and total gross floor area of approximately 4,400 sq.m. and 2,376 sq.m. respectively were leased from the Lessor to the Head-lessee for a term of 50 years commencing from 10 January 1993 to 9 January 2042 at a total rent of RMB 2,234,320. Detail particulars of the buildings are as follows:

Building Name	Gross Floor Area <i>(sq.m.)</i>	Year of completion	No. of storey	Remark
Electricity Transformer Room	99	1993	1	Sub-leased to the Group
Ancillary Office		1993	3	Sub-leased to the Group
Workshop No. 1	<u>2,277</u>	1993	3	Sub-leased to the Group
Total	<u><u>2,376</u></u>			

2. Pursuant to a sub-lease agreement entered into between the Head-lessee and Ming Fai Enterprise (Shenzhen) Company Limited (referred hereinafter as the “Sub-lessee”), the land parcel and three buildings mentioned in Note 1 above having a site area and total gross floor area of approximately 4,400 sq.m. and 2,376 sq.m. respectively is sub-leased from the Head-lessee to the Sub-lessee for a term of 20 years commencing from 10 January 1993 to 9 January 2013 at a total rent of RMB 2,234,320.
3. According to the information provided by the Group, there are other two buildings having a total gross floor area of approximately 8,686.2 sq.m. erected on the site. These buildings were built by the Head-lessee in 1996 and 2001. The particulars are as follows:

Building Name	Gross Floor Area <i>(sq.m.)</i>	Year of completion	No. of storey	Remark
Workshop No. 2	8,484.2	1996	5	Built by the Head-lessee
Workshop No. 3	<u>202</u>	2001	1	Built by the Head-lessee
Total	<u><u>8,686.2</u></u>			

For indicative purpose, the depreciated replacement costs of these two buildings as at the Date of Valuation is circa RMB5,380,000 assuming these two buildings have obtained the relevant title certificates and are freely transferable in the market.

4. Pursuant to another sub-lease agreement entered into between the Head-lessee and Sub-lessee, the Sub-lessee has leased Workshop No. 2 and Workshop No. 3 mentioned in Note 3 above from the Head-lessee for a term of two years commencing from 1 January 2007 and expiring on 31 December 2008 at a monthly rent of RMB60,803.
5. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:
- (a) Pursuant to the lease agreement mentioned in Note 1 above, the Lessor agreed to lease the property to the Head-lessee and in return obtained the management fee and other consideration. The Lessor agreed the Sub-lessee has the right to use the property;

- (b) The Lessor can apply for the Real Estate Ownership Certificate according to “Certain Regulations for Dealing with Historical Illegal Buildings Structures of Manufacturing Operations of Shenzhen (《深圳經濟特區處理歷史遺留生產經營性違法建築若干規定》)” after payment of penalty and completing necessary land requisition and land grant procedure; and
 - (c) It does not exist any dispute or any restriction or possible restriction that will affect the Sub-lessee to use the property.
 - (d) a total gross floor area of approximately 2,376 sq.m. (including workshops, office, electricity transformer room) were constructed by the Lessor. The amount of fines payable by the Lessor in respect of the illegal buildings on collective agricultural land is RMB10 per sq.m. of gross floor area. Ming Fai Shenzhen is not responsible for the fines. A total gross floor area of approximately 8686.2 sq.m. of industrial workshops were constructed by Ming Fai Plastic Industrial Co, the original shareholder of Ming Fai Shenzhen, which shall be responsible for the fines of RMB30 per sq.m. of gross floor area in the total sum of approximately RMB260,586.
6. According to the information provided, Ming Fai Shenzhen is a limited liability company incorporated in the PRC on 7 September 1992 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description	Particulars of occupancy	Market value as at 31 August 2007
10.	Unit A2 on Level 10 of Block 5, Section 1101 of Block A of Huapu Garden, Dongsishi, Dongcheng District, Beijing, the PRC	<p>The property comprises an unit located at Level 11 of a 23-storey buildings completed in 2003.</p> <p>The property has a gross floor area of approximately 199.94 sq.m.</p>	<p>The property is leased to the Group from a connected party for a term of 2 years commencing from 1 January 2007 to 31 December 2008 at a monthly rent of RMB11,000.</p> <p>The property at present is occupied by the Group as office.</p>	No commercial value

Notes:

1. According to a Sale and Purchase Agreement (Document No.: 011453), 劉子剛 (Liu Zigang) agreed to purchase the building ownership to the property with a total gross floor area of approximately 199.94 sq. m. from the vendor 北京中地房地產開發有限公司 (Beijing Zhongdi Real Estate Development Company Limited).
2. According to a tenancy agreement entered into between Liu Zigang (the “Lessor”) and Ming Fai Enterprise (Shenzhen) Company Limited (referred hereinafter as the “Lessee”), the Lessee has leased the property from the Lessor – a connected party, which is one of the directors of the Group.
3. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:
 - (a) Pursuant to the Sale and Purchase Agreement, the property was purchased by the Lessor. The Lessor has not obtained Building Ownership Certificate or any building works commencement permit, hence the Lessor does not has the right to let the property to the Lessee.
 - (b) The property is subject to a mortgage in favour of the Industrial and Commercial Bank of China Beijing Wangfujing Branch for a term expiring on 13 September 2018. The Lessor has registered the mortgage in the relevant government organization.
 - (c) The tenancy agreement has not been duly registered in the relevant government organization.
 - (d) It does not exist any dispute for Liu Zigang to purchase and Ming Fai Shenzhen to use the property. Furthermore, other than the mortgage mentioned above, the property is not subject to any restriction or possible restriction that will affect Ming Fai Shenzhen to use the property.
 - (e) The Lessor has obtained the necessary legal procedure to mortgage the property. The mortgage is effective and legal.
 - (f) Under the PRC Administrative Laws on Urban Property, the Urban Property Law and the Measures for Administration of Leases of Buildings in Urban Areas promulgated by the Ministry of Construction (Order 42 of 1995) and the other laws and regulations in respect of leases of buildings, the leases of urban buildings (including residential housing) for business operations are not prohibited, and the legal liability arising from the discrepancy between the uses of leases and the original uses of the property is not provided. In fact, a large number of urban buildings are leased for establishing companies for business operations. Accordingly, the lease of the property by the Beijing Branch of Ming Fai Shenzhen as an office does not breach the prohibitive requirement of the laws and regulations of the PRC.
4. According to the information provided, Ming Fai Shenzhen is a limited liability company incorporated in the PRC on 7 September 1992 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description	Particulars of occupancy	Market value as at 31 August 2007
11.	Unit 302, Yi Men 16 You, Xin Zhong Xi Street, Dongcheng District, Beijing, the PRC	<p>The property comprises a unit on Level 3 of a 7-storey residential building completed in 2000.</p> <p>The property has a total gross floor area of approximately 58.61 sq.m.</p>	<p>The property is leased to the Group from an independent third party for a term of one year commencing from 1 March 2007 to 28 February 2008 at a monthly rent of RMB1,800.</p> <p>The property at present is occupied by the Group as staff quarters.</p>	No commercial value

Notes:

1. According to a Building Ownership Certificate (Document No.: Jing Fang Quan Zheng Dong Si Cheng Zi No. 08368), the building ownership to the property with a total gross floor area of approximately 58.61 sq. m. is vested in 張瑞春 (Zhang Rui Chun) for residential use. The property is erected amid a parcel of land with a Lot No. I-2-2-14(2).
2. According to a tenancy agreement entered into between Zhang Rui Chun (the "Lessor") and 明輝有限責任公司北京辦事處 (Ming Fai Company Limited Beijing Office, referred hereinafter as the "Lessee"), the Lessee has leased the property from the Lessor – an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:
 - (a) The Lessor has obtained Building Ownership Certificate to the property. The tenancy agreement is valid and legally binding on both parties and the Lessor can let the property;
 - (b) The tenancy agreement has not been duly registered in the relevant government organization; and
 - (c) It does not exist any dispute or potential entanglement or any restriction or possible restriction for the Lessee to use the property.
4. According to the information provided, the Lessee is a limited liability company incorporated in the PRC on 1 Feb 1999 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description	Particulars of occupancy	Market value as at 31 August 2007
12.	Unit 901 on Level 9 of Shengshi Building located at No. 35 Luxun Road, Zhongshan District, Dalian City, Liaoning Province, the PRC	<p>The property comprises an unit on Level 9 of a 24-storey residential building completed in 2002.</p> <p>The property has a total gross floor area of approximately 161.86 sq.m. for residential use.</p>	<p>The property is leased to the Group from an independent third party for a term of one year commencing from 10 August 2006 to 9 August 2007 at an annual rent of RMB65,000 inclusive of management fee, real estate tax and personal income tax.</p> <p>The property at present is occupied by the Group as office.</p>	No commercial value

Notes:

1. According to a Building Ownership Certificate (Document No.: Da Fang Quan Zheng Zhong Si Zi No. 2005107674), the building ownership to the property with a total gross floor area of approximately 161.86 sq. m. is vested in 謝紅蓮 (Xie Hong Lian) for residential use. The property is erected amid a parcel of land with a Lot No. 7-43-3.
2. According to a tenancy agreement entered into between Xie Hong Lian (the “Lessor”) and 明輝實業(深圳)有限公司大連辦事處 (Ming Fai Enterprise (Shenzhen) Company Limited Dalian Office, referred hereinafter as the “Lessee”), the Lessee has leased the property from the Lessor – an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:
 - (a) The Lessor has obtained Building Ownership Certificate to the property. The tenancy agreement is valid and legally binding on both parties and the Lessor can let the property;
 - (b) The property is subject to a mortgage in favor of Bank of China Dalian City Zhongshan Plaza Branch for a term expiring on 8 March 2033. The Lessor has registered the mortgage in the relevant government organization;
 - (c) The tenancy agreement has not been duly registered in the relevant government organization;
 - (d) It does not exist any dispute or potential entanglement or any restriction or possible restriction for Ming Fai Shenzhen to use the property; and
 - (e) The Lessor has completed necessary legal procedures to mortgage the property. The mortgage is effective and legal.
 - (f) Under the PRC Administrative Laws on Urban Property, the Urban Property Law and the Measures for Administration of Leases of Buildings in Urban Areas promulgated by the Ministry of Construction (Order 42 of 1995) and the other laws and regulations in respect of leases of buildings, the leases of urban buildings (including residential housing) for business operations are not prohibited, and the legal liability arising from the discrepancy between the uses of leases and the original uses of the property is not provided. In fact, a large number of

urban buildings are leased for establishing companies for business operations. Accordingly, the lease of the property by the Dalian Branch of Ming Fai Shenzhen as an office does not breach the prohibitive requirement of the laws and regulations of the PRC.

4. According to the information provided, the Lessee is a limited liability company incorporated in the PRC on 1 August 2006 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description	Particulars of occupancy	Market value as at 31 August 2007
13.	Unit 1 on Level 3 of Block Dong San located at No. 25 Yihe Street, Zhongshan District, Dalian City, Liaoning Province, the PRC	<p>The property comprises a unit on Level 3 of a 7-storey residential building completed in 1998.</p> <p>The property has a total gross floor area of approximately 110 sq.m.</p>	<p>The property is leased to the Group from an independent third party for a term of one year commencing from 15 April 2007 to 14 April 2008 at a monthly rent of RMB1,400 inclusive of management fee, heat charges and building maintenance charges.</p> <p>The property at present is occupied by the Group as staff quarters.</p>	No commercial value

Notes:

1. According to a Building Ownership Certificate (Document No.: Da Fang Quan Zheng Zhong Si Zi No. 2006101223) the building ownership to the property with a total gross floor area of approximately 110 sq. m. is vested in 劉銀燕 (Liu Yin Yan) for residential use. The property is erected amid a parcel of land with a Lot No. 24-23-9.
2. According to a tenancy agreement entered into between Liu Yin Yan (the "Lessor") and 明輝實業(深圳)有限公司大連辦事處 (Ming Fai Enterprise (Shenzhen) Company Limited Dalian Office, referred hereinafter as the "Lessee"), the Lessee has leased the property from the Lessor – an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Zhong Lun Law Firm, which contains, inter alia, the following information:
 - (a) The Lessor has obtained Building Ownership Certificate to the property. The tenancy agreement is valid and legally binding on both parties and the Lessor can let the property;
 - (b) The tenancy agreement has not been duly registered in the relevant government organization; and
 - (c) It does not exist any dispute or potential entanglement or any restriction or possible restriction for Ming Fai Shenzhen to use the property.
4. According to the information provided, the Lessee is a limited liability company incorporated in the PRC on 1 August 2006 and an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group IV – Property interest leased by the Group in Singapore

No.	Property	Description	Particulars of occupancy	Market Value as at 31 August 2007								
14.	An office and a warehouse unit located at Block 151 Pasir Panjang Road, #03-18 Pasir Panjang Distripark, Singapore	<p>The property comprises of an office and a warehouse unit located on the third storey of Block 151 completed in 2000 within Pasir Panjang Distripark, Singapore.</p> <p>The development is located at the southern side of the island. It is about 6 kilometres away from the city centre at Collyer Quay.</p> <p>The office unit generally accommodates a reception area, general office area and 2 partitioned offices; whilst the warehouse unit accommodates a general storage area and a partitioned room.</p> <p>Details of the two units' floor areas are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Floor area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td style="text-align: center;">430 sq. m.</td> </tr> <tr> <td>Warehouse</td> <td style="text-align: center;"><u>130 sq. m.</u></td> </tr> <tr> <td>Total</td> <td style="text-align: center;"><u><u>560 sq. m.</u></u></td> </tr> </tbody> </table>		Floor area (sq.m.)	Office	430 sq. m.	Warehouse	<u>130 sq. m.</u>	Total	<u><u>560 sq. m.</u></u>	<p>The property is leased to the Group from an independent third party for a term of 2 years commencing from 1 August 2006 to 31 July 2008 at a monthly rental of S\$7,500 inclusive of monthly service charge.</p> <p>The property is currently occupied by the Group as an office and storage area.</p>	No commercial value.
	Floor area (sq.m.)											
Office	430 sq. m.											
Warehouse	<u>130 sq. m.</u>											
Total	<u><u>560 sq. m.</u></u>											

Notes:

- As confirmed by the Company, the current registered Owner and Lessor of the property is Bougainvillea Realty Pte Ltd and the registered Lessee is Quality Amenities Supply Pte. Ltd.
- According to a tenancy agreement entered into between Bougainvillea Realty Pte Ltd (the "Lessor") and Quality Amenities Supply Pte. Ltd. (as the "Lessee"), the Lessee has leased the property from the Lessor - an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
- We have been provided with a legal opinion on the property prepared by the Group's Singapore legal adviser, which states that the tenancy agreement constitutes the legal, valid, binding obligations of the parties thereto and is in proper form for the enforcement in the courts of Singapore.
- According to the information provided, the Lessee is a limited liability company incorporated in Singapore on 9 February 2004 and an indirect wholly-owned subsidiary of the Company.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company was adopted on 5 October, 2007 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Islands Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VII in the section headed “Documents available for inspection”.

2 ARTICLES OF ASSOCIATION

The Articles of Association of the Company were adopted on 5 October, 2007 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles of Association is HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each.

2.2 Directors*2.2.1 Power to allot and issue Shares*

Subject to the provisions of the Cayman Islands Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Cayman Islands Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

2.2.2 Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Islands Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Islands Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

2.2.3 Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

2.2.4 Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

2.2.5 Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

2.2.6 Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any

Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (a) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;

- (e) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (i) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;
 - (ii) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (iii) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

2.2.7 Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

2.2.8 Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (a) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (b) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (c) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (f) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (g) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

2.2.9 Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

2.2.10 Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Islands Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person (or in the case of corporation, by its duly authorised representative) or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- 2.5.1 consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- 2.5.2 cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Islands Companies Law; and
- 2.5.3 sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Islands Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Islands Companies Law.

2.6 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Islands Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general

meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights (generally, on a poll and right to demand a poll)

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable

to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- 2.7.1 the chairman of the meeting; or
- 2.7.2 at least five members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- 2.7.3 any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meetings; or
- 2.7.4 any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Islands Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Islands Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may, in their absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant registration office, and, in the case of any shares on the principal register, at the place at which the principal register is kept.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and

- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own Shares

The Company is empowered by the Cayman Islands Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

2.13 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distributions

Subject to the Cayman Islands Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the

Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Islands Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such

division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Islands Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) the Company has not during that time or before the expiry of the three month period referred to in (iii) below received any indication of the whereabouts or existence of the Member; (ii) during a period of 12 years, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iii) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANIES LAW AND TAXATION

1 Introduction

The Cayman Islands Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Islands Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Islands Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 May, 2007 under the Cayman Islands Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share capital

The Cayman Islands Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Islands Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Islands Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Islands Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Islands Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Islands Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner

of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and distributions

With the exception of section 34 of the Cayman Islands Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Islands Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5 Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of assets

The Cayman Islands Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and auditing requirements

The Cayman Islands Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Cayman Islands Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of books and records

Members of a company will have no general right under the Cayman Islands Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special resolutions

The Cayman Islands Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary owning shares in parent

The Cayman Islands Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

14 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

15 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

16 Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

17 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

18 Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of twenty years from 12 June, 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by

the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

19 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

20 General

Maples and Calder the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands companies law. This letter, together with a copy of the Cayman Islands Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands companies law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

We were incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company on 29 May 2007. We have established a principal place of business in Hong Kong at Flat F, 6th Floor, Mai Kei Industrial Building, No. 5 San Hop Lane, Tuen Mun, New Territories, Hong Kong and was registered as an overseas company in Hong Kong under Part XI of the Companies Ordinance on 9 October 2007. Mr. Ching Chi Fai and Ms. Chan Wing, both are executive Directors and Ms. Chan Wing also being the company secretary, have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong. As we were incorporated in the Cayman Islands, we operate subject to the Cayman Islands laws and to the Memorandum and the Articles. A summary of certain parts of the Memorandum and the Articles and relevant aspects of the Cayman Islands companies law is set forth in Appendix V to this prospectus.

2. Changes in share capital

- (a) Our authorised share capital as at the date of the incorporation was HK\$360,000 divided into 36,000,000 shares of HK\$0.01 each. We allotted and issued one Share fully paid at par to Mapcal Limited (the “**Cayman Agent**”) on 29 May 2007.
- (b) On 15 June 2007, the Cayman Agent transferred one Share to Prosper Well and one new Share was allotted and issued fully paid at par to Pacific Plus.
- (c) On 5 October 2007, the then Shareholders resolved to increase our authorised share capital from HK\$360,000 to HK\$100,000,000 by the creation of an additional of 9,964,000,000 Shares.
- (d) On 5 October 2007, in consideration of the acquisition by us of the entire issued share capital of Ming Fai Holdings as to 46%, 46% and 8% from Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung respectively, we allotted and issued 43,419,999 Shares, 40,419,999 Shares, 10,520,000 Shares and 5,640,000 Shares to Prosper Well, Pacific Plus, Targetwise and Favour Power respectively, all credited as fully paid.
- (e) Assuming that the Share Offer becomes unconditional and the Share Offer and the Capitalisation Issue are duly completed, our authorised share capital will be HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares that may be granted under the Share Option Scheme) of our Company will be HK\$6,000,000 divided into 600,000,000 Shares, all fully paid or credited as fully paid. Apart from the issue of Shares under the Over-allotment Option and the Share Option Scheme, there is no present intention

to issue any part of our authorised but unissued share capital and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the paragraph headed “Written resolutions of the Shareholders” below, there has been no alteration in our share capital since its incorporation.

3. Written resolutions of the Shareholders

Pursuant to the written resolutions of the Shareholders dated 5 October 2007:

- (a) our Company approved and adopted the existing Memorandum of Association and Articles;
- (b) the authorised share capital of our Company was increased from HK\$360,000 to HK\$100,000,000 by the creation of an additional 9,964,000,000 Shares to rank *pari passu* with the existing Shares in all respects;
- (c) conditional on the same conditions as stated in the section headed “Structure of the Share Offer – Conditions of the Hong Kong Public Offer” in this prospectus:
 - (i) the Share Offer (including the Over-allotment Option) was approved and the Directors were authorised to allot and issue the Offer Shares (including any Shares which may be required to be issued if the Over-allotment Option is exercised);
 - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme; and
 - (iii) subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, the Directors were authorised to allot and issue a total of 350,000,000 Shares credited as fully paid at par to the holders of the Shares on the register of members of our Company (as they may direct) at the close of business on 10 October 2007 (as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$3,500,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares;

- (d) a general unconditional mandate was given to the Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than by way of rights issues, scrip dividend or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of the options which may be granted under the Share Option Scheme or other similar arrangements) Shares with an aggregate nominal value not exceeding the sum of:
- (i) 20% of the aggregate nominal value of the share capital of our Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme); and
 - (ii) the aggregate nominal amount of Shares repurchased under the authority granted to the Directors as referred to in paragraph (e) below,

until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the revocation, variation or renewal by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest; and

- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the revocation, variation or renewal by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

4. Reorganisation

We and our subsidiaries underwent a reorganisation in preparation for the listing of the Shares on the Stock Exchange. Following the Reorganisation, our Company became the holding company. The Reorganisation involved the following:

Incorporation and reorganisation of our Company

- (a) We were incorporated on 29 May 2007.
- (b) On 29 May 2007, one Share was allotted and issued fully paid to the Cayman Agent.
- (c) On 15 June 2007, the Cayman Agent transferred one Share to Prosper Well and one new Share was allotted and issued at par to Pacific Plus.
- (d) On 13 August 2007, we changed our name from Ming Fai Group Company Limited to Ming Fai International Holdings Limited.

Incorporation and reorganisation of Ming Fai Holdings

- (a) On 8 May 2007, Ming Fai Holdings Limited was incorporated in the BVI with limited liability with an authorised capital of US\$50,000 divided into 50,000 shares each with a par value of US\$1.00.
- (b) On 17 May 2007, one share was allotted and issued at par to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung.
- (c) On 5 October 2007, our Company acquired the entire issued share capital of Ming Fai Holdings as to 46%, 46% and 8% from Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung respectively, in exchange, we allotted and issued 43,419,999, 40,419,999, 10,520,000 and 5,640,000 Shares to Prosper Well, Pacific Plus, Targetwise and Favour Power respectively, all credited as fully paid.

Reorganisation of Ming Fai Asia Pacific

- (a) On 8 June 2007, Ming Fai Asia Pacific changed its name from Ming Fai Group Holdings Limited to Ming Fai Asia Pacific Company Limited.
- (b) On 2 August 2007, Ming Fai Holdings acquired the entire issued share capital of Ming Fai Asia Pacific as to 50% from each of Mr. Ching Chi Fai and Mr. Ching Chau Chung, in exchange, Ming Fai Holdings allotted and issued 29 shares of US\$1.00 each to each of them, all credited as fully paid.

Reorganisation of QAS Singapore

- (a) On 18 July 2007, each of Mr. Liu Zigang and Ms. Tan Lian Khim transferred the legal ownership in one share in QAS Singapore to Ming Fai Asia Pacific.

Reorganisation of QAS HK

- (a) On 7 June 2007, Ming Fai Holdings acquired the entire issued share capital of QAS HK as to 50% from each of Felix Group and Well City, in exchange, Ming Fai Holdings allotted and issued one share of US\$1.00 each to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung, all credited as fully paid.

Reorganisation of Ming Fai Enterprise

- (a) On 10 July 2007, Ming Fai Holdings acquired the entire issued share capital of Ming Fai Enterprise as to 1/3 from each of Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung, in exchange, Ming Fai Holdings allotted and issued four shares of US\$1.00 each to each of them, all credited as fully paid.

Reorganisation of Ming Fai Plastic

- (a) On 9 May 2007, Ming Fai Plastic changed its name from Ming Fai International Investments Holdings Limited to Ming Fai Plastic Enterprise Company Limited.
- (b) On 28 May 2007, Ming Fai Holdings acquired the entire issued share capital of Ming Fai Plastic as to 50% from each of Felix Group and Well City, in exchange, Ming Fai Holdings allotted and issued one share of US\$1.00 each to Mr. Ching Chi Fai and Mr. Ching Chau Chung, all credited as fully paid.

Reorganisation of Ming Fai Shenzhen

- (a) Pursuant to an agreement dated 7 June 2007, and in consideration of HK\$79 million, Ming Fai Plastic acquired the entire equity interest in Ming Fai Shenzhen from Ming Fai Plastic Industrial Co.
- (b) On 17 August 2007, 深圳市貿易工業局 (Trade and Industry Bureau of Shenzhen) approved the transfer referred to in paragraph (a) above.
- (c) Pursuant to a deed dated 4 September 2007, Ming Fai Holdings, Ming Fai Plastic and Ming Fai Plastic Industrial Co agreed to settle the consideration of HK\$79 million in paragraph (a) above by way of issue and allotment of four shares to each of Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung.

Reorganisation of Pacific Harvest

- (a) On 18 June 2007, Ming Fai Holdings acquired the entire issued share capital of Pacific Harvest as to 1%, 1% and 98% from Mr. Ching Chi Fai, Mr. Ching Chau Chung and Gembright Investments Limited. Gembright Investments Limited is owned as to 50% by each of Mr. Ching Chi Fai and Mr. Ching Chau Chung. In return, Ming Fai Holdings allotted and issued six shares of US\$1.00 each to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung, all credited as fully paid.

5. Changes in share capital of subsidiaries of our Company

The following alterations in the share capital of the subsidiaries of our Company have taken place within the two years preceding the date of this prospectus:

Ming Fai Holdings

- (a) On 17 May 2007, one share of US\$1.00 each in Ming Fai Holdings was issued and allotted to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung at par value.
- (b) On 28 May 2007, one share of US\$1.00 each in Ming Fai Holdings was issued and allotted to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung in consideration of the acquisition of the entire issued share capital of Ming Fai Plastic.
- (c) On 7 June 2007, one share of US\$1.00 each in Ming Fai Holdings was issued and allotted to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung in consideration of the acquisition of the entire issued share capital of QAS HK.
- (d) On 18 June 2007, six shares of US\$1.00 each in Ming Fai Holdings were issued and allotted to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung in consideration of the acquisition of the entire issued share capital of Pacific Harvest.
- (e) On 10 July 2007, four shares of US\$1.00 each in Ming Fai Holdings were issued and allotted to each of Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung in consideration of the acquisition of the entire issued share capital of Ming Fai Enterprise.
- (f) On 2 August 2007, 29 shares of US\$1.00 each in Ming Fai Holdings were issued and allotted to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung in consideration of the acquisition of the entire issued share capital of Ming Fai Asia Pacific.
- (g) On 4 September 2007, four shares of US\$1.00 each in Ming Fai Holdings were issued and allotted to each of Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung for settlement of HK\$79 million being the consideration of the acquisition of the entire equity interest of Ming Fai Shenzhen.
- (h) On 5 October 2007, our Company acquired the entire issued share capital of Ming Fai Holdings as to 46%, 46% and 8% from Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung respectively, in exchange, we allotted and issued 43,419,999 Shares, 40,419,999 Shares, 10,520,000 Shares and 5,640,000 Shares to Prosper Well, Pacific Plus, Targetwise and Favour Power respectively, all credited as fully paid.

Ming Fai Asia Pacific

- (a) On 2 August 2007, Ming Fai Holdings acquired the entire issued share capital of Ming Fai Asia Pacific from each of Mr. Ching Chi Fai and Mr. Ching Chau Chung, in exchange, Ming Fai Holdings allotted and issued 29 shares of US\$1.00 each to each of them, all credited as fully paid.

QAS Singapore

- (a) On 18 July 2007, each of Mr. Liu Zigang and Ms. Tan Lian Khim transferred the legal ownership in one share of QAS Singapore to Ming Fai Asia Pacific.

QAS HK

- (a) On 7 June 2007, Ming Fai Holdings acquired the entire issued share capital of QAS HK as to 50% from each of Felix Group and Well City, in exchange, Ming Fai Holdings allotted and issued one share of US\$1.00 each to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung, all credited as fully paid.

Ming Fai Enterprise

- (a) On 10 July 2007, Ming Fai Holdings acquired the entire issued share capital of Ming Fai Enterprise as to 1/3 from each of Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung, in exchange, Ming Fai Holdings allotted and issued four shares of US\$1.00 each to each of them, all credited as fully paid.

Ming Fai Plastic

- (a) On 12 March 2007, 4,999 and 5,000 shares of HK\$1.00 each in Ming Fai Plastic were issued and allotted at par to Well City and Felix Group respectively.
- (b) On 13 March 2007, Bontrade Limited transferred one share of HK\$1.00 each in Ming Fai Plastic to Well City for a consideration of HK\$1.00.
- (c) On 28 May 2007, Ming Fai Holdings acquired the entire issued share capital of Ming Fai Plastic as to 50% from each of Felix Group and Well City, in exchange, Ming Fai Holdings allotted and issued one share of US\$1.00 each to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung.

Ming Fai Shenzhen

- (a) Pursuant to an agreement dated 7 June 2007, Ming Fai Plastic acquired the entire equity interest in Ming Fai Shenzhen from Ming Fai Plastic Industrial Co for a consideration of HK\$79 million.

Pacific Harvest

- (a) On 23 May 2006, 4,899,999 shares, 50,000 shares and 50,000 shares of HK\$1.00 each in Pacific Harvest were issued and allotted at par to Gembright Investments Limited, Mr. Ching Chi Fai and Mr. Ching Chau Chung respectively.
- (b) On 23 May 2006, Gold Regal Development Limited transferred one share of HK\$1.00 each in Pacific Harvest to Gembright Investments Limited for a consideration of HK\$1.00.
- (c) On 18 June 2007, Ming Fai Holdings acquired the entire issued share capital of Pacific Harvest as to 98%, 1% and 1% from each of Gembright Investments Limited, Mr. Ching Chi Fai and Mr. Ching Chau Chung, in exchange, Ming Fai Holdings allotted and issued six shares of US\$1.00 each to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung.

Save as aforesaid and in paragraph 4 of this Appendix, there has been no other alteration in the share capital of the subsidiaries of our Company in the two years preceding the date of this prospectus.

6. Repurchase of our Company's own securities

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Company's own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to a written resolution of the Shareholders passed on 5 October 2007, a general unconditional mandate was given to the Directors authorising them to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue, until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the revocation, variation or renewal by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.)

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit our Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and our assets and/or our earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with our Articles and the applicable laws of the Cayman Islands.

Our Company shall not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

It is presently proposed that any repurchase of Shares would be made out of profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on such repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Islands Companies Law, out of capital.

There might be material adverse impact on the working capital or gearing position of our Company in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or our gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

(d) *Share capital*

On the basis of 600,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares that may be granted under the Share Option Scheme), the Directors would be authorised under a

general mandate given to the Directors pursuant to a written resolution of the Shareholders passed on 5 October 2007 to repurchase up to 60,000,000 Shares during the period prior to:

- (i) the conclusion of the next general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or our Articles to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

(e) General

None of the Directors or, to their best knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person has notified our Company that he or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Any repurchase of the Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive requirements of the Listing Rules regarding the minimum percentage of public shareholdings. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus:

- (a) an agreement dated 28 May 2007 in relation to sale and purchase of the entire issued share capital of Ming Fai Plastic between Well City, Felix Group and Ming Fai Holdings whereby Ming Fai Holdings allotted and issued one share of US\$1.00 each to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung in consideration for the acquisition of the entire issued share capital of Ming Fai Plastic from Well City and Felix Group;
- (b) an agreement dated 7 June 2007 in relation to sale and purchase of the entire issued share capital of QAS HK between Well City, Felix Group and Ming Fai Holdings whereby Ming Fai Holdings allotted and issued one share of US\$1.00 each to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung in consideration for the acquisition of the entire issued share capital of QAS HK from Well City and Felix Group;
- (c) an agreement dated 18 June 2007 in relation to sale and purchase of the entire issued share capital of Pacific Harvest between Mr. Ching Chi Fai, Mr. Ching Chau Chung, Gembright Investments Limited and Ming Fai Holdings whereby Ming Fai Holdings allotted and issued six shares of US\$1.00 each to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung in consideration for the acquisition of the entire issued share capital of Pacific Harvest from Mr. Ching Chi Fai, Mr. Ching Chau Chung and Gembright Investments Limited;
- (d) an agreement dated 2 August 2007 in relation to sale and purchase of the entire issued share capital of Ming Fai Asia Pacific between Mr. Ching Chi Fai, Mr. Ching Chau Chung and Ming Fai Holdings whereby Ming Fai Holdings allotted and issued 29 shares of US\$1.00 each to each of Mr. Ching Chi Fai and Mr. Ching Chau Chung in consideration for the acquisition of the entire issued share capital of Ming Fai Asia Pacific from Mr. Ching Chi Fai and Mr. Ching Chau Chung;
- (e) an agreement dated 10 July 2007 in relation to sale and purchase of the entire issued share capital of Ming Fai Enterprise between Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung and Ming Fai Holdings whereby Ming Fai Holdings allotted and issued four shares of US\$1.00 each to each of Mr. Ching Chi Fai, Ching Chau Chung and Mr. Ching Chi Keung in consideration for the acquisition of the entire issued share capital of Ming Fai Enterprise from them;
- (f) a share transfer agreement dated 7 June 2007 between Ming Fai Plastic Industrial Co and Ming Fai Plastic whereby Ming Fai Plastic acquired the entire equity interest in Ming Fai Shenzhen in consideration of HK\$79 million;

- (g) a deed dated 4 September 2007 between Ming Fai Holdings, Ming Fai Plastic and Ming Fai Plastic Industrial Co in relation to the settlement of HK\$79 million being the consideration of the acquisition of the entire equity interest of Ming Fai Shenzhen by way of issue and allotment of four shares in Ming Fai Holdings to each of Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung;
- (h) an agreement for sale and purchase dated 25 May 2007 between Luck Gain Properties Limited and Ming Fai Asia Pacific whereby Ming Fai Asia Pacific purchased Units A, B, C, D, E & F of 3/F of Mai Kei Industrial Building, No. 5 San Hop Lane, Tuen Mun, New Territories from Luck Gain Properties Limited for a consideration of HK\$4,100,000.00;
- (i) an agreement for sale and purchase dated 25 May 2007 between Mr. Ching Chi Keung and Ming Fai Asia Pacific whereby Ming Fai Asia Pacific purchased Unit F on 6/F and parking space No. 22 on G/F of Mai Kei Industrial Building, No. 5 San Hop Lane, Tuen Mun, New Territories from Mr. Ching Chi Keung for a consideration of HK\$900,000;
- (j) an assignment dated 1 August 2007 between Luck Gain Properties Limited and Ming Fai Asia Pacific whereby Luck Gain Properties Limited assigned Units A, B, C, D, E & F on 3/F of Mai Kei Industrial Building, No. 5, San Hop Lane, Tuen Mun, New Territories to Ming Fai Asia Pacific in consideration of HK\$4,100,000 paid as referred to in paragraph (h) above;
- (k) an assignment dated 25 May 2007 between Mr. Ching Chi Keung and Ming Fai Asia Pacific whereby Mr. Ching Chi Keung assigned Unit F on 6/F and parking space No. 22 on G/F of Mai Kei Industrial Building, No. 5, San Hop Lane, Tuen Mun, New Territories to Ming Fai Asia Pacific in consideration of K\$900,000 paid as referred to in paragraph (i) above;
- (l) a land use rights transfer agreement dated 30 May 2006 between the Municipal Government of Shuangdong Town, Luoding City, Guangdong Province and Pacific Harvest whereby Pacific Harvest purchased the land use rights of a parcel of land located at Shuangdong Town, Luoding City, Guangdong Province, the PRC of not less than 150 Mu at a consideration of RMB64,826 per Mu within the red-line map (紅線圖) and RMB30,000 per Mu within the road blue-line map (公路藍線圖);
- (m) a share swap agreement dated 5 October 2007 between our Company, Mr. Ching Chi Fai, Mr. Ching Chau Chung and Mr. Ching Chi Keung in relation to transfer of the entire issued share capital of Ming Fai Holdings to our Company in exchange for 43,419,999 Shares, 40,419,999 Shares, 10,520,000 Shares and 5,640,000 Shares, all credited as fully paid, being allotted and issued to Prosper Well, Pacific Plus, Targetwise and Favour Power respectively;

- (n) a deed of indemnity dated 5 October 2007 executed by the Controlling Shareholders in favour of our Company (for our Company and as trustee for each of our present subsidiaries) containing the indemnities in respect of certain estate duty, tax and other liabilities as referred to in the section headed “Estate duty, tax and other indemnities” in this Appendix;
- (o) a deed of non-competition dated 8 October 2007 executed by Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Mr. Lee King Hay, Ms. Chan Yim Ching, Mr. Liu Zigang, Ms. Chan Wing and Mr. Ng Bo Kwong in favour of our Company (for our Company and on behalf of our subsidiaries), details of which are set out in the sub-section headed “Non-competition undertakings” under the section headed “Relationship with the Controlling Shareholders” in this Prospectus;
- (p) the Public Offer Underwriting Agreement; and
- (q) a memorandum of agreement dated 21 September 2007 between Mr. Liu Zigang, Ms. Tan Lian Khim and Ming Fai Asia Pacific in relation to transfer of legal ownership in one share held by each of Mr. Liu Zigang and Ms. Tan Lian Khim in QAS Singapore to Ming Fai Asia Pacific.

2. Intellectual property rights

(a) Patents

As at the Latest Practicable Date, our Group has registered the following utility model in the PRC:

Patent	Name of Proprietor	Application Date	Patent No.
Comb (梳子)	Ming Fai Shenzhen	25 June 2005	ZL 2005 2 0060667.7

As at the Latest Practicable Date, our Group has applied for registration of the following design patent in the PRC:

Patent	Name of Applicant	Application Date	Application No.
Design of Santa Barbara Polo	Ming Fai Shenzhen	25 May 2007	200730134175.2

(b) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks in the PRC:

Trademark	Name of Proprietor	Class	Registration Number	Effective Period
Essence d'Orient	Ming Fai Shenzhen	16	1770837	21 May 2002 to 20 May 2012
Essence d'Orient	Ming Fai Shenzhen	16	3612994	14 Jul 2005 to 13 Jul 2015
Essence d'Orient	Ming Fai Shenzhen	3	3612995	21 Aug 2005 to 20 Aug 2015
D'Orient	Ming Fai Shenzhen	3	1805336	14 Jul 2002 to 13 Jul 2012
Rose magnifique	Ming Fai Shenzhen	3	1805261	14 Jul 2002 to 13 Jul 2012
Rose magnifique	Ming Fai Shenzhen	16	1790713	21 Jun 2002 to 20 Jun 2012
ER	Ming Fai Shenzhen	16	1182491	14 Jun 1998 to 13 Jun 2008
ER	Ming Fai Shenzhen	21	1176578	21 May 1998 to 20 May 2008
ER	Ming Fai Shenzhen	22	1178414	28 May 1998 to 27 May 2008
ER	Ming Fai Shenzhen	24	1182829	14 Jun 1998 to 13 Jun 2008
Natural Organic	Ming Fai Shenzhen	16	3490457	28 Jan 2005 to 27 Jan 2015
MINGFAI	Ming Fai Shenzhen	35	3351295	21 May 2004 to 20 May 2014
M	Ming Fai Shenzhen	35	3351310	21 May 2004 to 20 May 2014
Ever Rich	Ming Fai Shenzhen	16	1765879	14 May 2002 to 13 May 2012

As at the Latest Practicable Date, our Group has registered the following trademarks in Hong Kong:

Trademark	Name of Proprietor	Class	Trademark Number	Effective Period
Essence d'Orient	Ming Fai Asia Pacific	16	2001B07048	3 Aug 2000 to 3 Aug 2017
Essence d'Orient	Ming Fai Asia Pacific	3	2001B07049	3 Aug 2000 to 3 Aug 2017
Rose magnifique	Ming Fai Asia Pacific	3	2001B07051	7 Aug 2000 to 7 Aug 2017
Rose magnifique	Ming Fai Asia Pacific	16	200103672	7 Aug 2000 to 7 Aug 2017

Trademark	Name of Proprietor	Class	Trademark Number	Effective Period
M	Ming Fai Asia Pacific	35	200400026	26 Oct 2002 to 26 Oct 2009
M	Ming Fai Asia Pacific	40	200400027	26 Oct 2002 to 26 Oct 2009
Ever Rich	Ming Fai Asia Pacific	16	200107050	3 Aug 2000 to 3 Aug 2017
Boy and Girl	Ming Fai Asia Pacific	16	200107660	21 Dec 2000 to 21 Dec 2007
Boy and Girl	Ming Fai Asia Pacific	3	200206892	21 Dec 2000 to 21 Dec 2007
Nobility	Ming Fai Asia Pacific	3	300451610	5 Jul 2005 to 4 Jul 2015
MING FAI	Ming Fai Asia Pacific	35	200400028	26 Oct 2002 to 26 Oct 2009
MING FAI	Ming Fai Asia Pacific	40	200400029	26 Oct 2002 to 26 Oct 2009

As at the Latest Practicable Date, our Group has registered the following trademarks outside the PRC and Hong Kong:

Trademark	Name of Proprietor	Class	Registration Number	Place of Registration
Essence d'Orient	Ming Fai Enterprise	1, 4, 6, 50, 51 and 52	3078374	USA
Nobility	Ming Fai Enterprise	3	873712	UK
Nobility	Ming Fai Enterprise	3	3161458	USA

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks in the PRC:

Trademark	Name of Proprietor	Class	Number	Application Date
MINGFAI	Ming Fai Shenzhen	3	4298117	8 Oct 2004
MINGFAI	Ming Fai Shenzhen	16	4298116	8 Oct 2004
MINGFAI	Ming Fai Shenzhen	18	4298115	8 Oct 2004
MINGFAI	Ming Fai Shenzhen	21	4297940	8 Oct 2004
MINGFAI	Ming Fai Shenzhen	24	4297941	8 Oct 2004
MINGFAI	Ming Fai Shenzhen	25	4297942	8 Oct 2004
MINGFAI	Ming Fai Shenzhen	36	4297943	8 Oct 2004
MINGFAI	Ming Fai Shenzhen	43	4297944	8 Oct 2004
依迪奧	Ming Fai Shenzhen	16	4190664	27 Jul 2004
依迪奧	Ming Fai Shenzhen	3	4190663	27 Jul 2004

(c) Domain names

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Date of registration
www.mingfaigroup.com	7 August 2002

Note: The contents in the above domains do not form part of this prospectus.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SENIOR MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Interests and/or short positions of the directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated companies

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and that the options which may be granted under the Share Option Scheme are not exercised), the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares in respect of equity derivatives and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed (assuming that their interests will remain unchanged after the Latest Practicable Date), will be as follows:

(a) Long positions in the Shares

Name of Director	Nature of Interests	Total Number of Shares	Approximate Percentage
Ching Chi Fai	Corporate (<i>Note 1</i>)	183,666,600	30.61%
Ching Chau Chung	Corporate (<i>Note 2</i>)	170,976,600	28.50%
Ching Chi Keung	Corporate (<i>Note 3</i>)	44,499,600	7.42%
Chan Yim Ching	Corporate (<i>Note 3</i>)	44,499,600	7.42%
Liu Zigang	Corporate (<i>Note 4</i>)	23,857,200	3.98%

Notes:

- These Shares will be owned by Prosper Well, which is wholly-owned by Mr. Ching Chi Fai.
- These Shares will be owned by Pacific Plus, which is wholly-owned by Mr. Ching Chau Chung.

3. These Shares will be owned by Targetwise, which is owned as to 50% and 50% by Mr. Ching Chi Keung and Ms. Chan Yim Ching respectively.
4. These Shares will be owned by Favour Power, which is wholly-owned by Mr. Liu Zigang.

2. Interests and/or short positions of substantial Shareholders in the shares or underlying shares of our Company

So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and assuming that the options which may be granted under the Share Option Scheme are not exercised), the following persons (other than the Directors or chief executive of our Company) will have an interest and/or short position in the shares or underlying shares in respect of equity derivatives of our Company that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or will be directly or indirectly interested in 10% or more of the voting power at general meetings of our Company once the Shares are listed:

Long positions in the Shares

Name	Number of Shares	Approximate Percentage
Prosper Well	183,666,600	30.61%
Pacific Plus	170,976,600	28.50%
Targetwise	44,499,600	7.42%
Lo Kit Ling (<i>Note 1</i>)	183,666,600	30.61%
Wong Sei Hang (<i>Note 2</i>)	170,976,600	28.50%
Po Fung Kiu (<i>Note 3</i>)	44,499,600	7.42%
Lee King Keung (<i>Note 4</i>)	44,499,600	7.42%

Notes:

1. As Prosper Well is wholly-owned by Mr. Ching Chi Fai, he is deemed to be interested in the Shares held by Prosper Well by virtue of Part XV of the SFO. Ms. Lo Kit Ling, being Mr. Ching Chi Fai's spouse, will be deemed to be interested in the Shares held by Prosper Well under Part XV of the SFO.
2. As Pacific Plus is wholly-owned by Mr. Ching Chau Chung, he is deemed to be interested in the Shares held by Pacific Plus by virtue of Part XV of the SFO. Ms. Wong Sei Hang, being Mr. Ching Chau Chung's spouse, will be deemed to be interested in the Shares held by Pacific Plus under Part XV of the SFO.
3. As Targetwise is owned as to 50% by Mr. Ching Chi Keung, he is deemed to be interested in the Shares held by Targetwise by virtue of Part XV of the SFO. Ms. Po Fung Kiu, being Mr. Ching Chi Keung's spouse, will be deemed to be interested in the Shares held by Targetwise under Part XV of the SFO.
4. As Targetwise is owned as to 50% by Ms. Chan Yim Ching, she is deemed to be interested in the Shares held by Targetwise by virtue of Part XV of the SFO. Mr. Lee King Keung, being Ms. Chan Yim Ching's spouse, will be deemed to be interested in the Shares held by Targetwise under Part XV of the SFO.

3. Interests of the substantial shareholder of any other members of our Group

So far as the Directors are aware, no person (other than the Directors or chief executive of the Company) is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group (other than our Company) upon the listing of the Shares on the Stock Exchange.

4. Particulars of service agreements

Each of Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Mr. Liu Zigang, Mr. Lee King Hay, Ms. Chan Yim Ching and Ms. Chan Wing has entered into a service agreement dated 21 September 2007 with our Company under which they agreed to act as executive Directors, for a period of three years commencing from the Listing Date unless terminated in accordance with the terms of the service contracts. Under the service agreements, the initial annual salary payable by our Company to Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Mr. Liu Zigang, Mr. Lee King Hay, Ms. Chan Yim Ching and Ms. Chan Wing are HK\$1,200,000, HK\$1,200,000, HK\$500,000, HK\$500,000, HK\$500,000, HK\$720,000 and HK\$720,000 respectively and may, subject to the discretion of the Board, be increased. Each of the executive Directors will also be entitled to a discretionary bonus as decided by the Board. The amount of the annual salary increment and the bonus payable under such service agreements is at the discretion of the Board, provided that the respective parties to such service agreements shall abstain from voting and not be counted in the quorum in respect of any such determination of the Board in relation to him.

Mr. Ng Bo Kwong has signed a letter of appointment dated 21 September 2007 with our Company under which he agreed to act as non-executive Director for a period of one year unless terminated in accordance with the terms of appointment letter. The initial annual director's fee for Mr. Ng is HK\$120,000.

Each of Mr. Ma Chun Fung Horace, Mr. Sun Kai Lit Cliff and Mr. Hung Kam Hung Allan has signed a letter of appointment dated 21 September 2007 with our Company under which they agreed to act as independent non-executive Directors for a period of one year unless terminated in accordance with the terms of the appointment letters. The initial annual director's fee for Mr. Ma, Mr. Sun and Mr. Hung are HK\$150,000, HK\$150,000 and HK\$150,000 respectively.

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

5. Directors' remuneration

The aggregate amount of salaries, allowances and benefits in kind paid by our Group to the Directors for the year ended 31 December 2006 was approximately HK\$5,263,000. It is expected that an aggregate amount of approximately HK\$5,462,800 will be paid to the

Directors as remuneration by our Group in respect of the year ending 31 December 2007 according to the present arrangements, excluding the discretionary salary increment and bonus.

None of the Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2006 whether (a) as an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2006.

6. Personal guarantees

Mr. Ching Chi Fai and Mr. Ching Chau Chung, both are executive Directors, have provided personal guarantees in favour of a bank in connection with certain bank loans granted to our Group. The aforesaid personal guarantees provided are expected to be released and replaced by the Company's corporate guarantee upon Listing.

7. Related party transactions

During the three financial years preceding the date of this prospectus, our Group had engaged in the related party transactions as mentioned in the paragraph headed the "Significant related party transactions" set out in note 32 of the accountants' report set out in Appendix I to this prospectus.

8. Others

- (a) Save as disclosed in this prospectus and in the section headed "Summary of material contracts" in this Appendix, none of the Directors or the experts named in the section headed "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of our Company or in any assets acquired or disposed of by or leased to any member of our Group or is proposed to be acquired or disposed of by or leased to any member of our Group within the two years immediately preceding the date of this prospectus.
- (b) Save as disclosed in this prospectus and in the section headed "Summary of material contracts" in this Appendix, none of the Directors or the experts named in the section headed "Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.
- (c) Saved as disclosed in this prospectus and in the section headed "Summary of material contracts" in this Appendix, none of the experts named in the section headed "Consents of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to

subscribe for or nominate persons to subscribe for any securities in any member of our Group or is an officer or employee or a servant or partner or director of any member of our Group.

- (d) Save as disclosed in this prospectus, taking no account of any Shares which may be taken up under the Share Offer, none of the Directors or chief executive of our Company has interests and/or short positions in the shares, underlying shares in respect of equity derivatives or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed.

- (e) Save as disclosed in this prospectus, taking no account of any Shares which may be taken up under the Share Offer, so far as the Directors are aware, there is no person (other than the Directors or chief executive of our Company) who will have any interest and/or short positions in the shares or underlying shares in respect of equity derivatives of our Company that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or who will be directly or indirectly, interested in 10% or more of the voting power at general meetings of our Company.

SHARE OPTION SCHEME

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	means the date on which the Share Option Scheme becomes unconditional
“Eligible Person”	means any employee (whether full time or part time including any director) of any member of our Group
“Exercise Price”	has the meaning ascribed to it in paragraph (i) below
“Listing Date”	means the date on which the Shares commence trading on the Stock Exchange
“Participant Limit”	has the meaning ascribed to it in paragraph (vii) below
“Scheme Limit”	has the meaning ascribed to it in paragraph (vi) below
“Scheme Period”	means the period commencing on the Adoption Date and expiring at the close of business on the day immediately preceding the tenth anniversary thereof
“Subscription Price”	means, in relation to an option, an amount equal to the Exercise Price multiplied by the relevant number of Shares in respect of which an option is exercised
“trading day”	means a day on which the Stock Exchange is open for business of dealing in securities

(b) Summary of terms

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

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Board to grant options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to our 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.

(ii) Conditions

The Scheme is conditional on, among others, the commencement of trading of the Shares on the Stock Exchange.

(iii) 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 our Group.

(iv) 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:

- (aa) 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

- (bb) 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.

(v) *Grant of options and acceptance of offers*

A grant of options shall not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the Listing Rules by our Company. In particular, during the period commencing one month immediately preceding the earlier of:

- (aa) the date of the Board meeting (as such date is first notified to the Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year or quarterly or any other interim period (whether or not required by the Listing Rules); and
- (bb) the deadline of our Company to publish its results announcement for any year, half-year or quarterly or any other interim period (whether or not required by the Listing Rules);

and ending on the date of the results announcements, no option may be granted.

An offer for the grant of options must be accepted within twenty one days inclusive of the day on which such offer was made. The amount payable to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(vi) *Maximum number of Shares*

- (aa) Subject to sub-paragraph (bb) and (dd) below, 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 our 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 our Company) must not in aggregate exceed 10% of the Shares in issue on the Listing Date, i.e., 60,000,000 Shares (the "Scheme Limit").

Options lapsed in accordance with the Share Option Scheme will not be counted for the purpose of the Scheme Limit.

- (bb) The Scheme Limit may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the refreshed limit must not exceed 10% of the Shares in issue at the date of the Shareholders' approval of such limit. Options previously granted under the Share Option Scheme or any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share

Option Scheme or any other share option schemes of our Company or those exercised) will not be counted for the purpose of calculating the refreshed limit.

- (cc) Our Company may also, by obtaining separate approval of the Shareholders in general meeting, grant options beyond the Scheme Limit provided the options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by our Company before such approval is sought. Our Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time.

(vii) 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 our 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 (the "Participant Limit"). 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. Our Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

(viii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder (excluding the proposed director or chief executive) of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the offeree of the option).
- (bb) Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director (or any of their respective associates) would result in the total number of Shares issued and to be issued upon exercise of options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue from time to time; and

- (ii) having an aggregate value, based on the closing price of the Shares on each date of grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders in general meeting.

Our Company must send a circular, containing such information as required under the Listing Rules, to the Shareholders for seeking approval on the matter referred to in the sub-paragraph (bb) above. All connected persons of our Company must abstain from voting in favour at such general meeting. Any vote taken at such general meeting to approve the grant of such options must be taken on a poll.

(ix) Exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine but in any event shall not exceed 10 years from the date of grant.

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period before an option is exercisable.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

Shares allotted upon the exercise of an outstanding option will be subject to all the provisions of the Memorandum and the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and issue. Shares allotted upon the exercise of an option for the time being outstanding shall not carry voting rights until completion of the registration of the option holder (or any other person) as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights for grantees ceasing to be an Eligible Person

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person ceases to be an Eligible Person:

- (aa) by reason of serious illness or death or of retirement in accordance with his contract of employment or service, then he or (as the case may be) his personal representative(s) may exercise his outstanding option within 12 months of such cessation or, such period extended by the Board failing which the option will lapse; or
- (bb) by reason of matters other than those specified in paragraph (aa) above, then he may exercise his outstanding options within three months after he so ceases.

(xiv) Rights on a general offer

If a general offer is made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), an option holder shall be entitled to exercise at any time within a period of 14 days after our Company has notified of the general offer any option in whole or in part to the extent not already exercised. An option not exercised shall lapse upon the expiry of such period.

(xv) Rights on winding-up

If notice is given by our Company to Shareholders of a general meeting at which a resolution will be proposed for the voluntary winding-up of our Company, our Company shall forthwith give notice to all options holders and each option holder shall be entitled, at any time no later than two business days prior to the proposed general meeting of our Company, to exercise any of his outstanding options in whole or in part. An option not exercised shall lapse and determine on the commencement of the winding-up.

(xvi) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and Shareholders or our Company's creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, notice of the relevant meeting shall be given to the options holders on the same day notice is given to the Shareholders and our Company's creditors, and thereupon each option holder shall be entitled, at any time not later than two business days prior to the proposed meeting, to exercise any of his outstanding options in whole or in part. An option not exercised shall lapse upon such compromise or arrangement becoming effective.

(xvii) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the expiry of the relevant period referred to in paragraph (xiii) above;
- (cc) the expiry of any of the relevant periods referred to in paragraph (xiv), (xv) or (xvi) above;
- (dd) the commencement of the winding-up of our Company;
- (ee) the date on which an option holder ceases to be an Eligible Person by reason of the termination of his contract of employment or service on any one or more grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty; and
- (ff) the Board cancels the option because the option holder commits a breach of paragraph (xii) above.

(xviii) Cancellation of options granted but not yet exercised

Where our Company cancels any options granted but not exercised and issues new ones to the same option holder, such options may only be granted under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit referred to in paragraph (vi).

(xix) Effects of alterations to capital

In the event of any alteration in the capital structure of the Company, whether by way of capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of our Company, such corresponding adjustments (if any) shall be made in the number or nominal amount of Shares comprised in each option for the time being outstanding, the Exercise Price, the Scheme Limit and/or the Participant Limit as the auditors of our Company or the independent financial adviser to our Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that:

- (aa) the aggregate Subscription Price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such adjustment;
- (bb) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

- (cc) no adjustment will be required in circumstances when there is an issue of Shares as consideration in a transaction; and
- (dd) any adjustment shall be made in accordance with the provisions of Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

(xx) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date unless terminated earlier by Shareholders in general meeting.

(xxi) Alteration to the Share Option Scheme

- (aa) The terms and conditions of the Share Option Scheme relating to the definition of “Eligible Person” or the Scheme Period or matters governed by Rule 17.03 of the Listing Rules shall not be altered to the advantage of participants except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the options granted to the advantage of an option holder must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.
- (dd) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxii) Termination to the Share Option Scheme

Our Company may, with the approval in general meeting of the Shareholders, terminate the Share Option Scheme at any time following which no further grant of options shall be offered but in all other respects the rules of the Share Option Scheme shall continue in full force and effect. Any options granted and accepted prior to such termination, shall continue to be valid and exercisable in accordance with the rules of the Share Option Scheme.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 60,000,000 Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

(d) Value of Options

The Directors consider it inappropriate to value the Options that can be granted under the Share Option Scheme on the assumption that they had been granted at the Latest Practicable Date, as various determining factors for the calculation of such value cannot be reasonably fixed at this stage. It would not be meaningful and to a certain extent would be misleading to the Shareholders if the value of the Options is calculated based on a set of speculative assumptions. However, the information on value of the Options granted in any financial period will be provided to the Shareholders based on Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of relevant financial period for any annual or interim reports of the Company.

OTHER INFORMATION**1. Estate duty, tax and other indemnities**

The Controlling Shareholders (the “Indemnifiers”) have entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) (being a material contract referred to in item (n) of the paragraph headed “Summary of material contracts” of this Appendix) to provide indemnities in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of our Group on or before the date on which the Share Offer becomes unconditional. The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands.

Under the deed of indemnity, the Indemnifiers have also given indemnities to our Group in relation to taxation (including all costs, charges, interest, fines, penalties and expenses incidental or relating thereto) which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional (the “Effective Date”).

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed in respect of any taxation:

- (a) to the extent that provision, reserve or allowance has been made for such taxation in the audited combined accounts of our Group or the audited accounts of any members of our Group for each of the three years ended 31 December 2006 and for the six months ended 30 June 2007 (the “Accounts”); or
- (b) to the extent that provision, reserve or allowance will be made in the audited combined accounts of our Group or the audited accounts of any members of our Group covering the period from 1 January 2007 to the Effective Date on a basis consistent with that made in the Accounts; or
- (c) relating to any incomes, profits or gains earned, accrued or received by any members of our Group or any event occurred in the ordinary course of business after 30 June 2007; or
- (d) to the extent that such taxation or liability falling on any of the members of our Group would not have arisen but for any act or omission of, or transaction voluntarily effected by, any of such members (whether alone or in conjunction with such other act, omission or transaction) without the prior written consent or agreement of the Indemnifiers, otherwise than carried out or effected in the ordinary and usual course of business after 30 June 2007; or
- (e) to the extent that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong, or any other relevant authority coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or
- (f) to the extent that any provision or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers’ liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve; or
- (g) to the extent that such taxation arises as a result of any members of our Group being in breach of any provision of the deed of indemnity.

Under the deed of indemnity, the Indemnifiers have also undertaken to indemnify our Group against (a) the costs, expenses, losses and damages for our Group to relocate from the relevant building structures, namely, office building, paper warehouse and dangerous goods warehouse, all being erected on Pinghu Land I, details of which are set out in the section headed “Business – Properties” in this prospectus; (b) the costs, expenses, losses and damages for our Group to relocate from the relevant building structures, namely, big warehouse, dormitory for Hong Kong staff, store, canteen and kitchen and bathroom, all being erected on Pinghu Land II, the net book value of such building structures as at the date of eviction that needs to be written off should Ming Fai Shenzhen be forced to evict from them until the title defect is rectified and the fine imposed on Ming Fai Shenzhen, details of which are set out in the section headed “Business – Properties” in this prospectus;

(c) the costs, expenses, losses and damages for our Group to relocate from Pinghu Existing Workshop, details of which are set out in the section headed “Business – Properties” in this prospectus; (d) the costs, expenses, losses and damages incurred by our Group resulting from non-registration of lease agreements, details of which are set out in the section headed “Business – Properties” in this prospectus; and (e) the penalties, losses and damages incurred by our Group due to accidents from the defects of the building structures without real estate certificates, detail of which are set out in the section headed “Business – Properties” in this prospectus; (f) the costs, liabilities or damages suffered in connection with any violation or non-compliance by any member of our Group with any applicable national and local labour laws, regulations or rules in the PRC in relation to social insurances and housing provident fund occurring on or before the Effective Date, details of which are set out in the sections headed “Directors, Senior Management and Employees – Employees – Social Welfare” in this prospectus, to the extent that provision, reserve or allowance has not been made for such costs, liabilities or damages in the Accounts; (g) the costs, liabilities or damages suffered by any member of our Group in connection with products containing poisonous and problematic ingredients sold by any member of our Group before Listing (including in connection with supply of toothpastes containing diethylene glycol to the United States, details of which are set out in the section headed “Business – Toothpaste DEG Issues” in this prospectus), to the extent the provision reserve or allowance has not been made for such costs, liabilities or damages in the Accounts; and (h) the costs, liabilities or damages suffered in relation to any violation or non-compliance by any member of our Group with any applicable Singaporean laws or regulations, details of which are set out in the section headed “Business – Singapore Legal Issues” in this prospectus, to the extent that provision, reserve or allowance has not been made for such costs, liabilities or damages in the Accounts.

2. Litigation

Save as disclosed in the section headed “Business – Litigation” in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein, including any Shares that may be issued under the Over-allotment Option and such number of Shares falling to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$500,000 and have been paid or payable by us.

5. Promoter

There is no promoter of our Company.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
DBS Asia Capital Limited	A licensed corporation under the SFO to engage in types 1, 4 and 6 of the regulated activities (as defined under the SFO)
PricewaterhouseCoopers	Certified Public Accountants
Vigers Appraisal and Consulting Limited	Property Valuers
Zhong Lun Law Firm	Legal advisers on the PRC law
Maples and Calder	Legal advisers on Cayman Islands law
Dorsey & Whitney	Legal advisers on US law
Olsson Frank Weeda Terman Bode Matz PC	Legal advisers on US law
Nabarro	Legal advisers on EU law
KhattarWong	Legal advisers on Singapore law
Ho & Ho	Legal advisers on Malaysia law

7. Consents of experts

Each of the Sponsor, PricewaterhouseCoopers, Vigers Appraisal and Consulting Limited, Zhong Lun Law Firm, Maples and Calder, Dorsey & Whitney, Olsson Frank Weeda Terman Bode Matz PC, Nabarro, KhattarWong and Ho & Ho has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or references to its name included herein in the form and context in which they are respectively included.

8. Binding effect

This prospectus shall have effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Particulars of the Selling Shareholders

The particulars of each of the Selling Shareholders are set out below:

Name: Pacific Plus Limited
Place of Incorporation: BVI
Date of Incorporation: 29 March 2007
Registered office: Palm Grove House, P.O. Box 438, Road Town,
Tortola, British Virgin Islands
Sale Shares: 10,913,400 Shares

Name: Prosper Well International Limited
Place of Incorporation: BVI
Date of Incorporation: 2 April 2007
Registered office: P.O. Box 957, Offshore Incorporations Centre,
Road Town, Tortola, British Virgin Islands
Sale Shares: 11,723,400 Shares

Name: Targetwise Trading Limited
Place of Incorporation: BVI
Date of Incorporation: 15 March 2007
Registered office: P.O. Box 957, Offshore Incorporations Centre,
Road Town, Tortola, British Virgin Islands
Sale Shares: 2,840,400 Shares

Name: Favour Power Limited
Place of Incorporation: BVI
Date of Incorporation: 29 March 2007
Registered office: Palm Grove House, P.O. Box 438, Road Town,
Tortola, British Virgin Islands
Sale Shares: 1,522,800 Shares

As at the Latest Practicable Date, Pacific Plus is wholly-owned by Mr. Ching Chau Chung, an executive Director.

As at the Latest Practicable Date, Prosper Well is wholly-owned by Mr. Ching Chi Fai, an executive Director.

As at the Latest Practicable Date, Targetwise is owned as to 50% and 50% by Mr. Ching Chi Keung and Ms. Chan Yim Ching respectively, both are executive Directors.

As at the Latest Practicable Date, Favour Power is wholly-owned by Mr. Liu Zigang, an executive Director.

Save as disclosed herein, none of the Directors is interested in the Sale Shares.

10. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commission has been paid or payable (except the commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any shares in or debentures of our Company or any of our subsidiaries;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (d) all necessary arrangements have been made to enable our Shares to be admitted into CCASS;
- (e) there has been no material adverse change in our financial position or prospects since 30 June 2007 (being the date to which the latest audited combined financial statements of our Group were made up); and
- (f) the English text of this prospectus shall prevail over the Chinese text.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE, YELLOW, PINK** and **GREEN** Application Forms, the list containing the particulars of the Selling Shareholders as set out in the section headed “Other information – Particulars of the Selling Shareholders” in Appendix VI to this prospectus, the written consents referred to in the section headed “Other information – Consents of experts” in Appendix VI to this prospectus, copies of the material contracts referred to in the section headed “Further information about our business – Summary of material contracts” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Cheng Wong Lam & Partners at 50th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report, the text of which is set out in Appendix I to this prospectus;
- (c) such audited financial statements as have been prepared for the companies comprising our Group for each of the three financial years ended 31 December 2006 and for the six months ended 30 June 2007 or for the period since their respective dates of incorporation/establishment where this is a shorter period;
- (d) the report on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letters relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by Vigers Appraisal and Consulting Limited, the texts of which are set out in Appendix IV to this prospectus;
- (g) the Cayman Islands Companies Law;
- (h) the letter of advice prepared by Maples and Calder summarising certain aspects of Cayman Islands Companies Law as referred to in Appendix V to this prospectus;
- (i) the legal opinions prepared by Zhong Lun Law Firm, our legal advisers as to the PRC law, in respect of certain aspects of our Group and property interests;

- (j) the letters of advice prepared by Dorsey & Whitney and Olsson Frank Weeda Terman Bode Matz PC respectively, our legal advisers as to US law;
- (k) the report prepared by Nabarro, our legal advisers as to EU law;
- (l) the letter of advice prepared by KhattarWong, our legal advisers as to Singaporean law;
- (m) the letter of advice prepared by Ho & Ho, our legal advisers as to Malaysian law;
- (n) the material contracts referred to in the section headed “Further information about our business – Summary of material contracts” in Appendix VI to this prospectus;
- (o) the service contracts referred to in the section headed “Further information about Directors, senior management and staff – Particulars of service agreements” in Appendix VI to this prospectus;
- (p) the rules of the Share Option Scheme; and
- (q) the written consents referred to in the section headed “Other information – Consents of experts” in Appendix VI to this prospectus; and
- (r) the list containing the particulars of the Selling Shareholders as set out in the section headed “Other information – Particulars of the Selling Shareholders” in Appendix VI to this prospectus.

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