Ming Fai

明輝國際控股有限公司*

Ming Fai International Holdings Limited

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

Annual Report 2011

* For identification only

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BOARD OF DIRECTORS

Executive Directors:

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

Non-executive Director:

NG Bo Kwong

Independent non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

EXECUTIVE COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

YIM Wing Sze *CPA*

PRINCIPAL BANKERS

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

AUDITOR

PricewaterhouseCoopers

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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Cayman Islands

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181 Queen's Road Central,
Hong Kong

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

Bainikeng, Pinghu, Longgang
Shenzhen, the PRC

WEBSITE

www.mingfaigroup.com

STOCK CODE

3828

Chairman's Statement

Chairman's Statement

"Rome was not built in a day and our journey towards building an international brand in Ming Fai will continue."

Dear shareholders,

I am pleased to present the annual report of Ming Fai International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2007. Back then, we were in our infancy stage of growth. Over the past five years, our turnover has increased significantly; it is for this reason that we have chosen the theme "**Powering Ahead**" for this annual report.

Although we have witnessed the European debt crisis in 2011, the Group was able to achieve broad-based growth across our businesses while we have been concentrating on our core strengths. We shall continue to maintain a nimble approach in our expansion strategy. To further strengthen our position in the industry, we have streamlined our operations to reduce the operating costs and improve our credit control management. For the year 2011, the Group continued to maintain profitable with commendable financial position. Profit attributable to equity holders of the Company was HK$71.7 million in 2011 as compared to HK$116.1 million in 2010.

Chairman's Statement

After reviewing the financial performance in 2011, the board (the "Board") of directors (the "Directors") is pleased to recommend a final dividend of HK2.0 cents per share, making a total annual dividend of HK3.5 cents per share, representing a dividend payout ratio of 32.1%.

BUSINESS PERFORMANCE

The current business model of the Group is a twin-engine growth strategy. Our core business remains the manufacturing and distribution of amenity products to high-end hotel chains and airlines. The growing business is the retail consumption market in China, strengthened after acquiring the "7 Magic" retail networks offering cosmetics, skin care products and fashion accessories.

Our core business (the manufacturing and distribution business of amenity products) showed a strong growth in 2011 mainly due to the continuous strong demand from emerging Asia, particularly in the People's Republic of China (the "PRC"). In 2011, the Greater China region (including the PRC and Hong Kong) became the Group's largest market, the region has grown in a satisfactory speed and become the largest revenue contributor. We believe confidently that emerging markets, such as the Greater China region, will remain the key revenue focus for the Group going forward.

Following the strategic acquisition of All Team Group Limited and its subsidiaries ("All Team Group"), we have penetrated the cosmetics and fashion accessories retail market in the PRC with a broadly recognized brand "7 Magic" across the PRC.

In late 2010, the first own personal body care retail brand "everyBody Labo" started to place its products in "Mannings" in Hong Kong and has opened counters in "Harvey Nichols Hong Kong". It has swiftly attracted consumers' attention and established its brand. In the PRC, the products were sold through distributors to counters in cosmetics shops. The Mongkok store was closed in November 2011 after its lease terminated. This followed the closure of the shop in Causeway Bay. The Group believes that by exploring new distribution networks together with eliminating the rental cost burden, the business will be able to deliver a better result in the next investment stage.

The Group's newly constructed laundry plant in Jiangsu Province has commenced its operation in March 2011. It will be providing laundry services for hotel customers. This is a strategic move by the Group to further enhance the Group's presence in the hotel related industries and boost the Group's profits in the long run.

BUSINESS ENVIRONMENT

The Group continues to operate in a world of macroeconomic uncertainty, headlined by the European debt crisis, fears of a double-dip recession in the US, housing and unemployment issues in advanced economies. According to International Monetary Fund's (IMF) latest forecasts, the world recovery, which was weak in the first place, was in danger of stalling. Projected worldwide economic growth rate for 2012 was trimmed to 3.3% from the 4.0% projected in September 2011. China and India, which have become major engines of global growth, were predicted to cool to around 8.2% and 7.0%, respectively. The IMF projected that the euro zone would fall into recession and economic growth contract by about 0.5% in 2012 while the U.S. economy's projected growth rate has been holding steady at 1.8% since September 2011.

Given the tough business environment, we will continue to exercise stringent control over production costs and improve on its manufacturing processes. The increasing labour cost in the PRC has become a major pressure on profit margin following the raise of new regulations on minimum wages and Housing Fund allowance in 2011. At the same time, the new businesses of the Group, including the retail brand – "everyBody Labo" and the laundry service business, continued to record losses during the year while they were at investment stage. Even though the retail business environment remains healthy in China, the operating performance of "7 Magic" were lower than our expectation. These various factors consequently affected the operating profits of the Group in 2011.

Chairman's Statement

BUILDING A BRAND TO LAST

We feel a boost of confidence for the current market positioning strategies. Besides our core business model (twin engines of growth), this confidence stems from our geographic positioning, the prospects of the booming PRC tourism market, the management team, our expertise in the business operations, the growing strengths of our proprietary brands and our financial strengths. Even with the ominous European and US debt crises looming on the horizon, there were factors that gave us the confidence to be sanguine about our future.

GEOGRAPHIC POSITIONING

By investing in different markets through our two business segments, the Group is able to diversify its operation among the various markets. In the manufacturing and distribution of amenity products segment, the three key markets comprised 84.5% of total revenue during 2011. Our success in the Greater China market has enhanced our capabilities and allowed us to spread our wings and strengthen the business operation while maintaining the leading position of the one stop solution in hotel amenities industry globally.

As for "7 Magic," we chose to direct our focus into the PRC consumer retail markets. The majority of "7 Magic" retail outlets operate under a franchise model. The franchise system has allowed us to extend our presence into the retail markets in second and third-tier cities rapidly. By foraying into the retail markets in the PRC, a positive impact can been seen in offsetting the Renminbi ("RMB") appreciation pressure for the period under review.

Our ability to rapidly penetrate the PRC market lies with the fact that our products have been proven to be of quality standard and widely accepted by international markets. By leveraging on "7 Magic's" extensive distribution network we can enlarge our customer base into key strategic markets.

MANAGEMENT TEAM

The Group has been fortunate to assemble a team of managers with the experience, expertise and passion to grow the Group over the years. This team has gone through good and bad times, learning and gaining valuable experience under difficult circumstances. This team has delivered the remarkable growth over the past five years and we are confident to maintain our growth momentum in the future.

BRANDS – A SYMBOL OF QUALITY

Our own proprietary personal care retail brand "everyBody Labo" has been a significant move by the management to capitalize on our management ability and expertise in building quality ODM brands. Today the brand products are sold in chain stores across the PRC and Hong Kong.

POWERING AHEAD

The Group remains cautious and conservative about the future. We are definitely well-positioned to follow our strategy of growing our amenities business and distribution and retail business while retaining the ability to take advantage of any developments that may come along. We are also confident that the growth momentum can be sustained in the challenging future.

APPRECIATION

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

CHING Chi Fai
Chairman
Hong Kong, 29 March 2012

Management Discussion & Analysis

Management Discussion & Analysis

FINANCIAL REVIEW

The Group's total consolidated revenue for the year ended 31 December 2011 was approximately HK$1,475.4 million, representing a growth of 35.9% compared with 2010 (2010: HK$1,085.9 million). The growth was driven by our core business, the manufacturing and distribution of amenity products, which contributed a revenue of HK$1,227.7 million. The other major operational segment – the distribution and retail business of cosmetics and fashion accessories, contributed HK$235.6 million in revenue to the Group.

For the year under review, profit attributable to equity holders of the Company was HK$71.7 million, a decrease of 38.3%, compared with HK$116.1 million for the year ended 31 December 2010.

Basic earnings per share attributable to equity holders of the Company was HK10.9 cents (2010: HK19.0 cents).

The overall gross profit margin for the year ended 31 December 2011 decreased by 6.0 percentage points to 21.9% from 27.9% for the year ended 31 December 2010, which was mainly due to the increasing cost pressures in the PRC.

The Board has resolved to propose a final dividend of HK2.0 cents per share for the year ended 31 December 2011, making available a total annual dividend of HK3.5 cents per share (2010: HK8.0 cents per share). The proposed dividend is subject to approval at the forthcoming annual general meeting (the "AGM") on 24 May 2012.

Management Discussion & Analysis

Set out below are the consolidated financial highlights of the Group for the year ended 31 December 2011:

	2011 HK$ million	2010 HK$ million
Revenue	**1,475.4**	1,085.9
Gross profit	**323.5**	303.4
Profit attributable to equity holders of the Company	**71.7**	116.1
Net asset value	**1,106.3**	974.4
Basic earnings per share attributable to equity holders of the Company (HK cents)	**10.9**	19.0
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**10.7**	18.4

BUSINESS REVIEW

Since the beginning of the year 2011, the global economy continued to suffer from bouts of turbulence. The European economy was still facing uncertainties due to the European debt crisis. On the other hand, the US economy had a steady recovery with the help of a second wave of quantitative easing. Nevertheless, China's economy witnessed a strong growth amidst the dismal global economic environment in 2011. It helped the Group maintaining strong revenue momentum, particularly in our core business (the manufacturing and distribution of hotel amenities). The Group's total consolidated revenue increased to HK$1,475.4 million, which was 35.9% higher than in 2010.

The Group adopted dedicated strategies to develop our core business. However, the Group faced cost pressures in the PRC which was an unavoidable phenomenon for the entire manufacturing sector. Together with our new business investment and the lower than expected results produced by our retail business within the PRC's "7 Magic" network, the Group's performance was deeply affected. Profit attributable to equity shareholders of the Company of HK$71.7 million was recorded, down 38.3% compared with 2010.

Core Operation

Manufacturing and distribution business of hotel amenities – Sustainable Growth

The Group made dedicated efforts to grow its core business (the manufacturing and distribution of hotel amenities) through actively developing sales in the three major markets namely the Greater China (including the PRC and Hong Kong), North America and Europe. All three markets are our major contributors which had been providing a sustainable revenue growth to the Group. The Group enjoyed stable demands in these regions.

In 2011, the Greater China (including the PRC and Hong Kong) became the Group's largest market, contributing 36.3% of the total revenue for the manufacturing and distribution of hotel amenities segment, which reflected the efforts of the Group to focus on emerging markets over the past few years. North America was the second largest revenue contributor, comprising 31.6% of total revenue for the manufacturing and distribution of hotel amenities segment. Europe, other Asia Pacific countries (excluding Australia) and Australia accounted for 16.6%, 11.6% and 2.7% of total revenue for the manufacturing and distribution of hotel amenities segment, respectively.

During the year, however, the Group suffered from cost pressures in the PRC which negatively impacted our results. RMB appreciation further increased the cost pressure of the rising raw material and labour costs. The increasing labour costs in the PRC had become a major source of pressure on profit margins following the raise of minimum wages and Housing Fund allowance in 2011. The profit margin of the Group had been declining due to the above stated reasons. The gross profit margin decreased by 6.0 percentage points to 21.9% compared with 2010 (2010: 27.9%).

Despite the impact of increasing costs, the Group has striven to maintain its leading position in the hotel amenities industry by providing a wide range of high quality hotel amenity products to customers, together with our well-established and highly diversified worldwide distribution network.

We are confident that the Group will continue to increase its market share with more focus on the Asia Pacific region. Furthermore, by adopting appropriate operating strategies, the Group will strive to maximize its shareholders' value in the ever changing business environment.

New Business Development

China retail market – 7 Magic

China domestic demand continued to boost economic development. In order to fully capture these opportunities, the Group acquired a stake in All Team Group on 31 August 2010. During the year under review, a total of HK$235.9 million (2010: HK$81.4 million) of revenue was recorded for All Team Group which was mainly comprised of the "7 Magic" retail business, representing 16.0% (2010: 7.5%) of the Group's total revenue.

However, the operating results of our retail business in the PRC "7 Magic" was lower than management expectation.

Sales performance was not satisfactory as both revenue per store and number of additional stores were lowered than original expectation. Management believes that inflation in the PRC continues to deteriorate the consumption power of our target customer group which mainly comprises younger females with relatively low income. In such environment, profit margin is inevitably facing pressure as selling prices have to be lowered in order to maintain competitiveness in the market. For the year ended 31 December 2011, the number of new franchise stores opened was 303 and the total number of franchise stores as at 31 December 2011 was 1,258. The gross margin and net margin of All Team Group for the year ended 31 December 2011 was 30.7% (2010: 32.9%) and 10.7% (2010: 18.3%) respectively. For the year ended 31 December 2011, the profit after tax of All Team Group amounted to HK$25.3 million, which comprised the profit after tax of "7 Magic" of HK$33.3 million and the loss after tax of Parel (Guangzhou) Cosmetics Limited of HK$8.0 million.

For the year under review, we continued to focus on the fast-growing consumption demand from second and third-tier cities in the PRC. We believe that the sustainability of our success is built on excellent management and control of our franchises and systems. Riding on the booming younger female fashion accessories and cosmetics market in China, the "7 Magic" business has become one of the major revenue generators for the Group. With the synergies brought to the Group, the "7 Magic" business will play an even more important role in the foreseeable future.

Retail Brand – everyBody Labo

Building and developing our own brand is one of the Group's coveted business directions and strategies. The Group's first own-branded personal body care products namely "everyBody Labo" is our main focus in the campaign to develop our own brand. "everyBody Labo" has begun taking off on the brand awareness front through the placement of its products in Mannings in Hong Kong and via directly opened counters in Harvey Nichols Hong Kong. In the PRC, the products were sold through distributors to counters in cosmetics shops.

"everyBody Labo" is still in its early development stage, and recorded a loss of HK$7.3 million (2010: HK$10.7 million) for the year under review. To lower the cost of rental expense, the Mongkok store in Hong Kong ceased operations in November 2011 upon termination of its existing lease agreement. The Group strives to explore different opportunities in widening our distribution network across Hong Kong and the PRC.

Laundry services – Commenced operation in March 2011

To further expand our hotel related business, the Group had completed the construction of a laundry plant in Jiangsu Province, the PRC in March 2011. It mainly provides laundry services for hotel customers. The Group believes that commercial laundry services are not only a key element of total solution services to hotels, but also further enhance the Group's presence in the hotel-related industries as well as boosting the Group's profitability in the long run. In 2011, the Group secured 12 new contracts. In this investment stage, a loss of HK$15.0 million was incurred for the year under review.

PROSPECTS

In an update to its World Economic Outlook, the International Monetary Fund said that the euro area would fall into a mild recession in 2012 after the euro area crisis entered a "perilous new phase" toward the end of last year, affecting other parts of the world including the United States, emerging markets and developing countries. Therefore, the Group will continue to have a "cautiously optimistic" outlook and employ suitable measures to confront any challenges head on.

During the year under review, the Group's results faced pressure on two fronts: wage inflation and upstream input cost increases. The Group has no reason to be too optimistic that these two situations will pose less onerous challenges in the current year. In order to lessen the impact of higher labour and raw material costs, the Group will employ a variety of strategies including reducing output of labour intensive products as well as finding more suitable strategic partners in order to reduce cost pressures. In addition, the Group will concentrate its efforts on the production of high margin, value-added products; improving product standardization in production process; enhancing its proprietary brand recognition to cooperate with the core business operation; better facilitating the promotion of its proprietary brand, and focusing on the production of ODM products in order to bring higher value and sales margins to the Group. The Group believes that adding standardized product range would help minimize the impact of labour cost pressure. Together with further corporate strategy implementation, the Group is still confident to cope with different challenges and uncertainties in the future.

Management Discussion & Analysis

Looking ahead, the Group will remain focused on its core business by boosting orders from existing and new customers. The Group is currently exploring business opportunities in emerging markets by providing comprehensive product offerings and one-stop solutions for our customers – from personal healthcare items, and in-room accessories, to airline amenity kits, linen and laundry services. We both recognise and are committed to the need to maintain a sustainable long-term growth for shareholders which is in harmony with the Group's target to achieve consistent and healthy operating margins as well as maximizing shareholders' returns.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group's cash and cash equivalents amounted to HK$191.5 million (2010: HK$158.8 million).

In November 2009, the Group entered into a mortgage deed with a leading bank in Hong Kong to raise HK$64.4 million for the completion of acquisition of office premises in Central district. This facility bears interest at one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% per annum or 1.75% below Hong Kong dollars Prime Rate, whichever is the lower. The facility is secured by the office premises with maturity date on 27 November 2019. As at 31 December 2011, the outstanding borrowing of this facility amounted to HK$51.5 million (2010: HK$57.7 million).

In August 2010, the Group has obtained a RMB denominated revolving loan, which bore interest at the three months lending rate of The People's Bank of China times 1.15 for working capital. A property was pledged against the revolving loan with the maturity date of 2 August 2011. The loan was settled during the year ended 31 December 2011.

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

The gearing ratio at 31 December 2011, calculated on the basis of borrowings over total equity, was 4.7% as compared with 7.1% at 31 December 2010.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. The Group currently does not have a foreign currency hedging policy.

The Group primarily sourced its raw materials in the PRC. The related currency exposure with respect to RMB is managed through increasing sales denominated in the same currency. During the year ended 31 December 2011, 39.7% (2010: 30.4%) of the Group's consolidated revenue was derived from the PRC.

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

CHARGES ON GROUP ASSETS

As at 31 December 2011, certain subsidiaries of the Company pledged assets with aggregate carrying value of HK$162.1 million (2010: HK$190.9 million) to secure drawn bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2011, the capital commitment of the Group was HK$2.7 million (2010: HK$36.4 million). At the balance sheet date, the Group had no material contingent liabilities.

	2011 HK$'000	2010 HK$'000
Contracted but not provided for in the financial statements	**2,658**	36,429
Authorised by Directors but not contracted for	**–**	–
	2,658	36,429

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

EMPLOYEES

As at 31 December 2011, the total number of employees of the Group was approximately 4,700. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrading their skills and knowledge.

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

CORPORATE SOCIAL RESPONSIBILITIES

The Group is committed to the principle of sustainable development. The Group sets environmental policies and implements internationally certified environmental management systems such as ISO 14001:2004, Hong Kong Green Mark Certification Scheme and Global Security Verification. Being one of the world's leading hotel amenities suppliers, the Group continues to maintain highly environmental focus as one of our core values. In December 2011, the Group was awarded "Hong Kong Outstanding Enterprise 2011" by Economic Digest. In early 2012, the Group participated in the activities of "Outstanding Corporate Social Responsibility" organized by The Mirror. The Group was appointed as "Corporate Social Responsibility Ambassador" which the helps enhancing the awareness of Corporate Social Responsibility ("CSR"). During the year, the Group has launched a series of biodegradable eco-friendly products – ECO VLG. All of these eco-products emphasized the importance of green living and social responsibilities, which represents Ming Fai's core values in creating a low carbon environment.

In 2011, the Research and Development centre of the Group has successfully certified by Europe's standard "ISO 22716:2007 – Cosmetics-Good Manufacturing Practices". We have stepped forward to developing OEM skin care products which were made in Hong Kong. The Group believes that this would enhance the competitiveness in a fast-paced & knowledge-based society. The Group believes that CSR is not just about philanthropy, but also responsibility towards the community and being able to provide a platform for it to give back in a way that is meaningful, fulfilling and sustainable. CSR will remain a prominent feature in the Group's agenda, and environmental management is always the integral part of the Group's business planning and daily operations.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHING Chi Fai, aged 50, is an executive Director and chairman of the Company. He is the chairman of Nomination Committee, Executive Committee and Investment Committee. He is also a member of Remuneration Committee. Mr. Ching has been responsible for sales and marketing, production of our products and the formulation of the overall corporate direction and business strategies of our Group. Mr. Ching has over 20 years of experience in the amenity industry. Mr. Ching Chi Keung is the brother of Mr. Ching Chi Fai.

Mr. CHING Chi Keung, aged 47, is an executive Director. He is a member of Executive Committee. Mr. Ching has been responsible for human resources and administrative matters. Mr. Ching joined our Group with Mr. CHING Chi Fai and has over 20 years of experience in the amenity industry. Mr. Ching Chi Fai is the brother of Mr. Ching Chi Keung.

Mr. LIU Zigang, aged 47, is an executive Director. He is a member of Executive Committee. Mr. Liu has been responsible for sales and marketing since he joined our Group in May 1995. He oversees direct sales in the Greater China Region as well as the Southeast Asia markets. Mr. Liu has over 10 years of experience in the amenity industry. Mr. Liu holds a diploma from Shenzhen University, the PRC. Mr. Liu completed a course on International Business Management of Tsinghua University organised by Yangtze Delta Region Institute of Tsinghua University, the PRC.

Mr. LEE King Hay, aged 57, is an executive Director. He is a member of Executive Committee. Mr. Lee is responsible for overseeing manufacturing and business development. Mr. Lee first joined our Group in 1994 and left in 1996 for personal reasons. Subsequently in October 1999, he rejoined our Group as production director overseeing manufacturing. Mr. Lee has over 10 years of experience in the amenity industry. Prior to joining us, Mr. Lee was an aircraft engineer in the Hong Kong and Canadian airline business from 1977 to 1993. Mr. Lee completed the course for Aeronautic Engineering and obtained a Licence in Categories "A" & "C" from Air Service Training in Perth, Scotland and holds aircraft maintenance engineer licences issued by the United Kingdom Civil Aviation Authority, Civil Aviation Department of Hong Kong and Department of Transport Canada.

Ms. CHAN Yim Ching, aged 44, is an executive Director. She is a member of Executive Committee. Ms. Chan has been responsible for sales and marketing since she joined our Group in 1995. She oversees export sales to overseas markets. Ms. Chan has over 20 years of experience in the amenity industry. Prior to joining our Group, she worked in several companies engaged in amenity business.

Mr. LEUNG Ping Shing, aged 53, was appointed as a non-executive Director in May 2010 and was re-designated as an executive Director in December 2010. He is a member of Executive Committee. He has over 16 years of experience in finance and accounting. In the past 10 years, he has worked for well known hotel management companies overseeing their finance and accounting matters. Mr. Leung holds a degree of Bachelor of Business Administration in Accounting and Finance from Simon Fraser University, Vancouver, Canada. Mr. Leung is an independent non-executive Director ("INED") of China Sunshine Paper Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. NG Bo Kwong, aged 56, is a non-executive Director. He is a member of Audit Committee and Remuneration Committee. Mr. Ng joined our Group as a management consultant in November 2000 and has over 20 years of management experience in different industries (including the amenity industry). Mr. Ng is the honorary chairman of the Chinese Enterprises Competitiveness Advancement Association (中國企業競爭力促進會) and a member of the Hong Kong Management Association (香港管理專業協會). He had assisted a number of medium to large sized enterprises in formulating company development strategies and establishing management systems in the areas of sales and marketing, human resources and production management. Mr. Ng is also a guest lecturer of MBA programs and senior executive development programs of several universities. He had been a director for a number of non-listed companies and is currently a director of Advance Management Consultants Limited (艾雲斯管理顧問有限公司). He received a Master of Business Administration from the University of East Asia Macau and completed the fundamental course work of the Doctor of Business Administration from Murdoch University. He also holds a Diploma in Management Studies awarded jointly by The Hong Kong Polytechnic University and Hong Kong Management Association. Since Mr. Ng was not and is not expected to be involved in our day-to-day operations, he was appointed as a non-executive Director on 9 July 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SUN Kai Lit Cliff *BBS, JP*, aged 58, is an INED. He is a member of Audit Committee, Remuneration Committee and Nomination Committee. Mr. Sun is an Associate of the Institute of Industrial Engineers of Ohio and has over 30 years of experience in the household products manufacturing industry. Mr. Sun joined Kinox Enterprises Limited ("Kinox") in 1978, which is an renowned household products company in cookware, beverage servers, barbeque grills and chafing dishes. Mr. Sun is an executive director of Kinox and has been involved in various aspects of the operations and management of Kinox. Mr. Sun was appointed the Justice of the Peace in 2003 and was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region of the PRC in 2006. Mr. Sun is also an INED of Ka Shui International Holdings Limited and a non-executive director of China South City Holdings Limited, both companies are listed on the Main Board of the Stock Exchange. Mr. Sun involves himself in many public services in both the PRC and Hong Kong too.

Mr. HUNG Kam Hung Allan, aged 57, is an INED. He is the chairman of the Remuneration Committee and a member of Audit Committee. Mr. Hung has over 20 years of senior management experience in managing hotel operations and hotel investments. He was a deputy managing director of Top Glory International Holdings Limited ("Top Glory"), a former Hong Kong listed company which was privatized in August 2003, in 1992 and acted as its executive director from July 1997 to January 2001. During the period with Top Glory, Mr. Hung assisted Top Glory to develop and manage hotels/resorts. He resigned from such positions due to the restructuring of Top Glory (by its holding company). In 2005, Mr. Hung started a hotel development consultancy service to work with various hotel developers and prestigious hotel chains on design and project management.

Mr. MA Chun Fung Horace, aged 41, is an INED. He is the chairman of Audit Committee. He is also a member of Remuneration Committee, Nomination Committee and Investment Committee. Mr. Ma is a seasoned accountant with extensive experience in risk and internal control. Mr. Ma is a Certified Public Accountant (Practicing) registered with the Hong Kong Institute of Certified Public Accountants ("HKICPA"), a fellow member of the Association of Chartered Certified Accountants ("ACCA"), a Certified Internal Auditor registered with the Institute of Internal Auditors and holder of Certification of Control Self-Assessment of the Institute of Internal Auditors. Mr. Ma also holds various degrees including Master of Science and Bachelor of Business Administration conferred by The Chinese University of Hong Kong and Bachelor of Laws conferred by the University of London. Mr. Ma is an INED of Universe International Holdings Limited, Dejin Resources Group Company Limited and China Tianrui Group Cement Company Limited, the shares of which are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. KEUNG Kwok Hung, aged 39, is our chief financial officer. Mr. Keung joined our group in July 2010 and he is responsible for finance and accounting matters. He has over 16 years' experience in accounting and financial management. He holds a bachelor degree in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the HKICPA and the ACCA. Prior to joining our Company, he was an executive director of a company, the shares of which are listed on the GEM board of the Stock Exchange.

Ms. CHAN Yick Ning, aged 49, is our research and development director. Ms. Chan is responsible for overseeing various aspects of our chemical production such as chemical production quality control, research and development of product formulations, the operations of the chemical and microbiological laboratory, the performance of the senior chemists and technicians, quality control and research and development. Ms. Chan joined our Group in 2005 and has over 20 years of experience in cosmetics production and laboratory operation. Ms. Chan was awarded a Diploma in Management Studies jointly by The Hong Kong Polytechnic University and Hong Kong Management Association in 1992. Ms. Chan is also a member of Hong Kong Society of Cosmetic Chemists, which is in affiliation to the International Federation of Societies of Cosmetic Chemists in the United States.

Directors' Report

The Directors of Ming Fai International Holdings Limited (the "**Company**") are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries (the Company and its subsidiaries collectively, the "**Group**") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2011 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 42 to 111 of this annual report.

An interim dividend of HK1.5 cents per share of the Company (the "**Share**"), amounting to a total of HK$10,040,000 was paid on 7 October 2011.

The Directors recommend the payment of a final dividend of HK2.0 cents per Share for the year ended 31 December 2011. Subject to the approval of the Directors' recommendation by the shareholders at the annual general meeting of the Company to be held on 24 May 2012 (the "**AGM**"), the final dividend will be paid on or about 15 June 2012 to shareholders whose name appear on the register of shareholders of the Company as at the close of business on 30 May 2012. The total amount of such dividend is approximately HK$13,388,000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 31 May 2012 to Tuesday, 5 June 2012 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 30 May 2012.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 112.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2011 are set out in the consolidated statement of changes in equity on page 46 and note 18 to the financial statements, respectively.

As at 31 December 2011, distributable reserves of the Company amounted to approximately HK$814,391,000.

SUBSIDIARIES

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

BORROWINGS

Details of the borrowings of the Group during the year ended 31 December 2011 are set out in note 21 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

Directors' Report

DIRECTORS

The Directors during the year were as follows:

Executive Directors

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

Non-executive Director

Mr. NG Bo Kwong

Independent non-executive Directors

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

In accordance with articles 14 and 130 of the Company's Articles of Association, Mr. LIU Zigang, Mr. LEE King Hay, Ms. CHAN Yim Ching, Mr. NG Bo Kwong will retire at the AGM and, being eligible, shall offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 19 to 21.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

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

Mr. NG Bo Kwong has signed a letter of appointment with the Company under which he agreed to act as a non-executive Director for a period of one year commencing from 21 September 2011 unless terminated in accordance with terms of the appointment letters.

Each of Mr. MA Chun Fung Horace, Mr. SUN Kai Lit Cliff and Mr. HUNG Kam Hung Allan has signed a letter of appointment with the Company under which they agreed to act as independent non-executive Directors for a period of one year commencing from 21 September 2011 unless terminated in accordance with the terms of the appointment letters.

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

DIRECTORS' AND THE FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 December 2011, the Directors had the following interests in the Shares and underlying shares of the Company and its associated corporations which were recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "**SFO**"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

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

Name of Director	Nature of interests	Interest in number of Shares	Approximate percentage of shareholding of the Company
Mr. CHING Chi Fai	Corporate *(Note 1)*	165,166,600	24.67%
	Personal *(Note 2 & 8)*	10,175,000	1.52%
Mr. CHING Chi Keung	Corporate *(Note 3)*	32,499,600	4.86%
	Personal *(Note 8)*	4,000,000	0.60%
Ms. CHAN Yim Ching	Corporate *(Note 3)*	32,499,600	4.86%
	Personal *(Note 8)*	4,000,000	0.60%
	Family *(Note 4)*	388,000	0.06%
Mr. LIU Zigang	Corporate *(Note 5)*	20,057,200	3.00%
	Personal *(Note 8)*	4,000,000	0.60%
Mr. LEE King Hay	Personal *(Note 8)*	5,690,000	0.85%
Mr. LEUNG Ping Shing	Personal *(Note 8)*	1,850,000	0.28%
Mr. NG Bo Kwong	Personal *(Note 6 & 8)*	600,000	0.09%
Mr. SUN Kai Lit Cliff	Personal *(Note 7 & 8)*	600,000	0.09%
Mr. HUNG Kam Hung Allan	Personal *(Note 8)*	600,000	0.09%
Mr. MA Chun Fung Horace	Personal *(Note 8)*	600,000	0.09%

Notes:

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

2. 9,575,000 Shares were owned by Mr. CHING Chi Fai.

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

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

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

6. Mr. NG Bo Kwong held 300,000 Shares.

7. Mr. SUN Kai Lit Cliff held 300,000 Shares.

8. The Company has conditionally adopted the Share Option Scheme on 5 October 2007. Options granted to the above Directors under the Share Option Scheme as at 31 December 2011 were set out below:

Name	Date of grant	Exercise period	Exercise price per share HK$	Number of share options
Mr. CHING Chi Fai	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000
Mr. CHING Chi Keung	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000
Ms. CHAN Yim Ching	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000
Mr. LIU Zigang	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000
Mr. LEE King Hay	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000
Mr. LEUNG Ping Shing	9-9-2011	9-9-2012 to 8-9-2021	1.58	300,000
	9-9-2011	9-9-2013 to 8-9-2021	1.58	300,000
Mr. NG Bo Kwong	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000
Mr. SUN Kai Lit Cliff	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000
Mr. HUNG Kam Hung Allan	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000
Mr. MA Chun Fung Horace	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000

Long position in shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	Interest in number of shares of associated corporation	Approximate percentage of shareholding of the associated corporation
Mr. LEUNG Ping Shing	All Team Group Limited	Personal	4	4.00%

Save as disclosed above, as at 31 December 2011, none of the Directors and their associates, had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2011, so far as the Directors are aware of, the following substantial shareholders (other than a Director or chief executive of the Company) had interests in 5% or more of the Company's issued share capital:

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

Name of substantial shareholders	Capacity/nature of interest	Number of shares	Approximate percentage of shareholding of the Company
Prosper Well International Limited	Beneficial owner	165,166,600 *(Note 1)*	24.67%
Ms. LO Kit Ling	Family interest	175,341,600 *(Note 1)*	26.19%
Ms. PO Fung Kiu	Family interest	36,499,600 *(Note 2)*	5.45%
Mr. LEE King Keung	Personal and Family Interest	36,887,600 *(Note 3)*	5.51%
Atlantis Capital Holdings Limited	Interest of controlled corporation	55,000,000 *(Note 4)*	8.22%
Ms. LIU Yang	Interest of controlled corporation	55,000,000 *(Note 4)*	8.22%

Notes:

1. 165,166,600 Shares were owned by Prosper Well International Limited, which is wholly-owned by Mr. CHING Chi Fai (the chairman and an executive Director). Mr. CHING Chi Fai also beneficially owned 9,575,000 Shares and held a share option to subscribe 600,000 Shares. Ms. LO Kit Ling, being Mr. CHING Chi Fai's spouse, was deemed to be interested in the 175,341,600 Shares in which Mr. CHING Chi Fai had interests by virtue of Part XV of the SFO.

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

3. Mr. LEE King Keung held 194,000 Shares and held a option to subscribe 194,000 Shares. Mr. LEE, being Ms. CHAN Yim Ching's spouse, was deemed to be interested in the 36,887,600 Shares in which Ms. CHAN Yim Ching had interests by virtue of Part XV of the SFO.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

REMUNERATION POLICY

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

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 5 October 2007 (the "**Share Option Scheme**").

On 10 February 2011, share options to subscribe for 1,100,000 shares were granted to certain employees of the Group at an exercise price of HK$2.83 per share. The closing price of shares on the date of grant was HK$2.73 per share. On 9 September 2011, share options to subscribe for 17,790,000 shares were granted to a Director and certain employees of the Group at an exercise price of HK$1.58 per share. The closing price of shares on the date of grant was HK$1.54 per share. 6,458,000 share options were cancelled under the Share Option Scheme during the year.

Movements on the share options during the year as follows:

				Number of share options					
Grantee	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited/ lapsed during the year	Outstanding as at 31 December 2011
Directors									
Mr. CHING Chi Fai	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	–	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	–	300,000
Mr. CHING Chi Keung	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	–	2,000,000
Ms. CHAN Yim Ching	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	–	2,000,000
Mr. LIU Zigang	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	–	2,000,000
Mr. LEE King Hay	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	–	2,000,000
Mr. LEUNG Ping Shing	14-9-2010	14-9-2011 to 13-9-2020	2.80	300,000	–	–	300,000	–	–
	14-9-2010	14-9-2012 to 13-9-2020	2.80	300,000	–	–	300,000	–	–
	9-9-2011	9-9-2012 to 8-9-2021	1.58	–	300,000	–	–	–	300,000
	9-9-2011	9-9-2013 to 8-9-2021	1.58	–	300,000	–	–	–	300,000
Mr. NG Bo Kwong	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	300,000	–	–	–
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	–	300,000
Mr. SUN Kai Lit Cliff	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	300,000	–	–	–
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	–	300,000
Mr. HUNG Kam Hung	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	–	300,000
Allan	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	–	300,000
Mr. MA Chun Fung	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	–	300,000
Horace	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	–	300,000
Employees									
In aggregate	23-6-2009	23-6-2011 to 22-6-2019	1.12	5,621,000[1]	–	1,657,000[1]	–	–	3,964,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	5,621,000[1]	–	–	–	–	5,621,000
	7-5-2010	7-5-2011 to 6-5-2020	3.72	1,850,000	–	–	1,800,000	50,000	–
	7-5-2010	7-5-2012 to 6-5-2020	3.72	1,850,000	–	–	1,800,000	50,000	–
	14-9-2010	14-9-2011 to 13-9-2020	2.80	579,000	–	–	579,000	–	–
	14-9-2010	14-9-2012 to 13-9-2020	2.80	579,000	–	–	579,000	–	–
	10-2-2011	10-2-2012 to 9-2-2021	2.83	–	550,000	–	550,000	–	–
	10-2-2011	10-2-2013 to 9-2-2021	2.83	–	550,000	–	550,000	–	–
	9-9-2011	9-9-2012 to 8-9-2021	1.58	–	8,595,000	–	–	387,500	8,207,500
	9-9-2011	9-9-2013 to 8-9-2021	1.58	–	8,595,000	–	–	387,500	8,207,500
Total				35,700,000	18,890,000	2,257,000	6,458,000	875,000	45,000,000

Notes:

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

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

Grantee	**Date of grant**	**Vesting date**	**Risk-free rate**	**Expected volatility**	**Expected dividend yield**	**Estimated fair value per option** HK$
Director	9-9-2011	9-9-2012	1.573%	56%	5.19%	0.5790
		9-9-2013	1.573%	56%	5.19%	0.5979
Employees	9-9-2011	9-9-2012	1.573%	56%	5.19%	0.5207
		9-9-2013	1.573%	56%	5.19%	0.5539

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

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

(c) Based on historic pattern, it is assumed that dividend yield was 5.19% during the expected life of the options granted on 9-9-2011.

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

Using the Model in assessing the fair value of share options granted during the period, the options would have an aggregate estimated fair value of approximately HK$9,588,000, calculated as follows:

Grantee	Date of grant	Vesting date	Number of share options granted during the period	Estimated fair value of share options granted during the period HK$'000
Director	9-9-2011	9-9-2012	300,000	174
		9-9-2013	300,000	179
Employees	9-9-2011	9-9-2012	8,595,000	4,475
		9-9-2013	8,595,000	4,760
TOTAL			17,790,000	9,588

The following is a summary of the principal terms of the rules of the Share Option Scheme:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the board of directors of the Company (the "**Board**") to grant options to selected employees (whether full time or part time including the directors) of any member of the Group (the "**Eligible Persons**") as incentives or rewards for their contribution or potential contribution to the Group.

The terms of the Share Option Scheme provide that in granting options under the Share Option Scheme, the Board is entitled to determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme is exercised. The board is also entitled to determine the option price per Share payable on the exercise of an option (the "**Exercise Price**") according to the terms of the Share Option Scheme. Such terms, together with the incentive that the option will bring about, the Board believes, will serve the purpose of the Share Option Scheme.

(2) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any Eligible Person to subscribe at the Exercise Price for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any of the Eligible Persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(3) Price for subscription of Shares

The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of:

(a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), which must be a trading day; and

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the Exercise Price shall in no event be less than the nominal amount of one Share.

(4) Acceptance of Offers

The amount payable to the Company as acceptance of the offer for the grant of an option is HK$1.00.

(5) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue on 2 November 2007 (the "**Scheme Limit**").

On 12 May 2011, the refreshment of the Scheme Limit was approved by the shareholders of the Company at the annual general meeting. Share options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the Scheme Limit as refreshed. As at the date of this report, the number of Shares available for issue under the Share Option Scheme is 45,923,029 which represent 6.86% of the issued share capital of the Company.

(6) Maximum entitlement of each Eligible Person

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

(7) Period of the Share Option Scheme

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

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of sales and purchases for the year ended 31 December 2011 attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	6.4%
– five largest customers combined	23.3%
Purchases	
– the largest supplier	8.0%
– five largest suppliers combined	23.6%

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out on pages 34 to 39 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$18,000.

AUDIT COMMITTEE

The Group's final results for the year ended 31 December 2011 have been reviewed by the members of the Audit Committee before submission to the Board for approval.

AUDITORS

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

On behalf of the Board
CHING Chi Fai
Chairman
Hong Kong, 29 March 2012

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for year ended 31 December 2011, except for the following deviation:

- code provision A.2.1. of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this report, the Board has not appointed an individual to the post of chief executive officer. The roles of the chief executive officer have been performed collectively by all the executive directors, including the chairman of the Company. The Board considers that this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies.

BOARD OF DIRECTORS

As at 29 March 2012, the Board comprises the following ten Directors:

Executive Directors

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

Non-executive Director

Mr. NG Bo Kwong

Independent non-executive Directors

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

All six executive Directors are responsible for dealing with the business of the Group in accordance with all applicable rules and regulations, including, but not limited to, the Listing Rules. All Directors (including non-executive Directors and independent non-executive Directors) have been consulted on all major and material matters of the Group.

The Board supervises the management of the business and affairs of the Group, including convening Shareholders' meetings and reporting their work in the Shareholders' meetings, implementing the Shareholders' resolutions, determining the Group's business plans and strategies, formulating the Group's annual budget and final accounts, formulating proposals for dividend and bonus distributions and for increase or reduction of share capital, determining the Group's corporate structure, formulating investment plans as well as exercising other powers, functions and duties as conferred by the Articles of Association of the Company. In discharging its responsibilities, the Board meets regularly and acts in good faith, with due diligence and care.

The composition of the Board and their respective attendance in the regular full Board meetings, the Audit Committee, the Remuneration Committee and the Nomination committee meetings during the year ended 31 December 2011 are as follows:

	Number of meetings attended/held			
	Regular full Board meeting	**Audit Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**
Executive Directors				
Mr. CHING Chi Fai *(Chairman)*	4/4	1/2	2/2	1/1
Mr. CHING Chi Keung	4/4	1/2	1/2	–
Mr. LIU Zigang	4/4	1/2	–	–
Mr. LEE King Hay	4/4	1/2	–	–
Ms. CHAN Yim Ching	4/4	1/2	–	–
Mr. LEUNG Ping Shing	4/4	–	–	–
Non-executive Director				
Mr. NG Bo Kwong	4/4	2/2	2/2	–
Independent non-executive Directors				
Mr. SUN Kai Lit Cliff	3/4	1/2	1/2	1/1
Mr. HUNG Kam Hung Allan	4/4	2/2	2/2	–
Mr. MA Chun Fung Horace	4/4	2/2	2/2	1/1

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

Under their respective appointment letters, all the current non-executive Director and independent non-executive Directors have been appointed for a period of one year from 21 September 2011 unless terminated in accordance with the terms of the appointment letters. All the appointments of non-executive Directors and independent non-executive Directors may be terminated either by the Company by giving written notice to terminate such appointment with immediate effect or by the non-executive Directors or independent non-executive Directors by giving 1 month's written notice to the Company. All the current non-executive Director and independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

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

During the year ended 31 December 2011, four full Board meetings were held. Minutes of the Board meetings are being kept by the company secretary of the Company and are available for inspection by the Directors of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirements set out under the Model Code for the year ended 31 December 2011.

COMMITTEES OF THE BOARD

The Board has established the following committees:

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

AUDIT COMMITTEE

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

The principal responsibilities of the Audit Committee include:

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

- to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters.

During the year ended 31 December 2011 to the date of this report, the Audit Committee discharged its responsibilities by:

- reviewing the interim and annual results of the Group, and the relevant statements and reports prior to Board approval and reviewing the external auditors' reports and findings on the work performed;

- reviewing the external auditors' audit plan and terms of engagement for the audit;

- considering and approving the audit fee payable to the external auditors;

- reviewing the independency and objectivity of the external auditors, and the non-audit service fee payable to the external auditors; and

- reviewing the effectiveness of the internal control systems of the Group involving financial control, operational control, compliance control and risk management.

REMUNERATION COMMITTEE

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

The primary duties of the Remuneration Committee are:

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

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

The Remuneration Committee has considered and reviewed the existing terms of remunerations of all the Directors and the senior management. The Remuneration Committee has considered and reviewed the Group's remuneration policy in relation to that of comparable companies, time commitment and responsibilities of the Directors and the senior management and desirability of performance-based remuneration. The Remuneration Committee considered that the existing terms of remunerations of the Directors and the senior management were fair and reasonable.

EXECUTIVE COMMITTEE

The members of the Executive Committee are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang, Mr. LEE King Hay, Ms. CHAN Yim Ching and Mr. LEUNG Ping Shing, all being executive Directors. Mr. CHING Chi Fai is the chairman of the Executive Committee. Other than the matters reserved for the Board and other committees, the Executive Committee has been delegated with the general powers to deal with the daily operations and management of the Company, including but not limited to opening bank accounts, arranging banking facilities, affixing the common seal, issue of shares upon exercise of any subscription or conversion rights under any share option scheme, warrants or convertible notes and promoting new companies.

Four meetings were held by the Executive Committee during the year ended 31 December 2011.

INVESTMENT COMMITTEE

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

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

As no investment opportunity fell within the scope of its authority, no meeting was held by the Investment Committee during the year ended 31 December 2011.

NOMINATION COMMITTEE

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

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

The work performed by the Nomination Committee during the year ended 31 December 2011 to the date of this report included:

- to review the structure, size and composition of the Board; and
- to assess the independence of the independent non-executive Directors.

One meeting was held by the Nomination Committee during the year ended 31 December 2011.

INTERNAL CONTROL

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

During the year ended 31 December 2011, the Board has conducted a review of the effectiveness of the system of internal control and is satisfied with the scope and effectiveness of the system.

MANAGEMENT FUNCTION

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

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given high priority by the Group. Extensive information about the Group's activities is provided in the Annual Report and Financial Statements and the Interim Report which are sent to shareholders and are available on the Company's website www.mingfaigroup.com. All shareholders are encouraged to attend the general meetings of the Company to discuss the businesses of the Group with the Directors and senior management in the general meetings.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities for overseeing the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group, and of results and cash flow for the period. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made prudent and reasonable judgments and estimates and have prepared the financial statements on a going concern basis. The Directors also warrant that the Group's financial statements will be published in a timely manner.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 40 to 41 of this annual report.

AUDITOR'S REMUNERATION

The external auditor of the Company is PricewaterhouseCoopers. For the year ended 31 December 2011, the fees payable by the Company to the external auditor are listed as below:

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

- HK$90,000 for provision of tax services (non-audit service).

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

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

On behalf of the Board
CHING Chi Fai
Chairman
Hong Kong, 29 March 2012

Independent Auditor's Report

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

We have audited the consolidated financial statements of Ming Fai International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 111, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2012

Consolidated Balance Sheet

As At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Goodwill	*9(a)*	**342,666**	328,713
Land use rights	*6*	**26,423**	25,966
Property, plant and equipment	*7*	**333,913**	281,276
Investment properties	*8*	**110,823**	104,423
Intangible assets	*9(b)*	**16,683**	18,214
Long-term prepayments	*14*	**17,245**	27,560
Investment in an associated company	*10(a)*	**590**	561
Deferred income tax assets	*11*	**8,253**	2,981
Total non-current assets		**856,596**	789,694
Current assets			
Inventories	*12*	**203,690**	148,192
Trade and bills receivables	*13*	**336,411**	247,884
Amount due from an associated company	*10(b)*	**673**	764
Prepaid tax		**45**	5,864
Deposits, prepayments and other receivables	*14*	**80,672**	70,474
Restricted cash	*15*	**–**	2,544
Cash and cash equivalents	*16*	**191,480**	158,846
Total current assets		**812,971**	634,568
Total assets		**1,669,567**	1,424,262
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*20*	**6,694**	6,371
Share premium	*20*	**560,626**	495,591
Other reserves	*18(a)*	**533,381**	447,906
Proposed final dividend	*18(a),33*	**13,388**	28,671
		1,114,089	978,539
Non-controlling interests		**(7,812)**	(4,182)
Total equity		**1,106,277**	974,357

The notes on pages 48 to 111 are an integral part of these consolidated financial statements.

	Note	2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*21*	**45,190**	51,497
Long-term payables	*23*	**–**	10,471
Deferred income tax liabilities	*11*	**10,717**	11,053
Total non-current liabilities		**55,907**	73,021
Current liabilities			
Current portion of long-term bank borrowings	*21*	**6,283**	6,207
Short-term bank borrowings	*21*	**–**	11,719
Trade payables	*22*	**225,468**	149,640
Accruals and other payables	*23*	**226,537**	178,007
Current income tax liabilities		**41,912**	25,971
Loans from non-controlling interests	*24*	**5,410**	4,682
Dividends payable		**1,773**	658
Total current liabilities		**507,383**	376,884
Total liabilities		**563,290**	449,905
Total equity and liabilities		**1,669,567**	1,424,262
Net current assets		**305,588**	257,684
Total assets less current liabilities		**1,162,184**	1,047,378

The financial statements on page 42 to 47 were approved by the Board of Directors on 29 March 2012 and were signed on its behalf.

CHING Chi Fai
Director

CHAN Yim Ching
Director

The notes on pages 48 to 111 are an integral part of these consolidated financial statements.

Balance Sheet

As At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary	*17(a)*	**232,318**	228,647
Total non-current asset		**232,318**	228,647
Current assets			
Deposits, prepayments and other receivables	*14*	**156**	537
Amounts due from subsidiaries	*17(b)*	**545,737**	447,827
Cash and cash equivalents	*16*	**45,368**	76,760
Total current assets		**591,261**	525,124
Total assets		**823,579**	753,771
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*20*	**6,694**	6,371
Share premium	*20*	**560,626**	495,591
Other reserves	*18(b)*	**240,377**	214,864
Proposed final dividend	*18(b),33*	**13,388**	28,671
Total equity		**821,085**	745,497
LIABILITIES			
Current liabilities			
Accruals and other payables	*23*	**721**	2,638
Dividends payable		**1,773**	658
Amounts due to subsidiaries	*17(b)*	**–**	4,978
Total current liabilities		**2,494**	8,274
Total liabilities		**2,494**	8,274
Total equity and liabilities		**823,579**	753,771
Net current assets		**588,767**	516,850
Total assets less current liabilities		**821,085**	745,497

The financial statements on page 42 to 47 were approved by the Board of Directors on 29 March 2012 and were signed on its behalf.

CHING Chi Fai
Director

CHAN Yim Ching
Director

The notes on pages 48 to 111 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	5	**1,475,369**	1,085,933
Cost of sales	25	**(1,151,855)**	(782,562)
Gross profit		**323,514**	303,371
Distribution costs	25	**(159,194)**	(112,998)
Administrative expenses	25	**(86,171)**	(73,722)
Other income	26	**6,784**	4,892
Operating profit		**84,933**	121,543
Finance income	29	**1,003**	950
Finance costs	29	**(1,809)**	(791)
Share of profit of an associated company	10(a)	**94**	220
Fair value gains on investment properties	8	**6,000**	14,000
Profit before income tax		**90,221**	135,922
Income tax expense	30	**(22,760)**	(26,178)
Profit for the year		**67,461**	109,744
Other comprehensive income			
Currency translation differences		**25,525**	19,322
Total comprehensive income for the year		**92,986**	129,066
Profit/(loss) attributable to:			
Equity holders of the Company		**71,666**	116,128
Non-controlling interests		**(4,205)**	(6,384)
		67,461	109,744
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**97,092**	135,492
Non-controlling interests		**(4,106)**	(6,426)
		92,986	129,066
Earnings per share attributable to equity holders of the Company (Expressed in HK cents)			
– Basic	32(a)	**10.9**	19.0
– Diluted	32(b)	**10.7**	18.4

The notes on pages 48 to 111 are an integral part of these consolidated financial statements.

	Note	2011 HK$'000	2010 HK$'000
Dividends			
Interim dividend paid	33	**10,040**	22,300
Proposed final dividend	33	**13,388**	28,671
		23,428	50,971

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to equity holders of the Company					
	Share capital	Share premium	Other reserves *(Note 18(a))*	Sub-total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2010	6,000	408,242	379,449	793,691	2,044	795,735
Comprehensive income						
Profit/(loss) for the year	–	–	116,128	116,128	(6,384)	109,744
Other comprehensive income						
Currency translation differences	–	–	19,364	19,364	(42)	19,322
Total comprehensive income/(loss)	–	–	135,492	135,492	(6,426)	129,066
Final dividend relating to 2009	–	–	(30,000)	(30,000)	–	(30,000)
Interim dividend relating to 2010	–	–	(22,300)	(22,300)	–	(22,300)
Issuance of ordinary share in relation to a business combination *(Note 20)*	371	87,349	–	87,720	–	87,720
Capital injection from non-controlling interests	–	–	–	–	200	200
Transfer to investment properties	–	–	5,300	5,300	–	5,300
Share-based compensation *(Note 27)*	–	–	8,636	8,636	–	8,636
Balance at 31 December 2010	6,371	495,591	476,577	978,539	(4,182)	974,357
Balance at 1 January 2011	**6,371**	**495,591**	**476,577**	**978,539**	**(4,182)**	**974,357**
Comprehensive income						
Profit/(loss) for the year	**–**	**–**	**71,666**	**71,666**	**(4,205)**	**67,461**
Other comprehensive income						
Currency translation differences	**–**	**–**	**25,426**	**25,426**	**99**	**25,525**
Total comprehensive income/(loss)	**–**	**–**	**97,092**	**97,092**	**(4,106)**	**92,986**
Final dividend relating to 2010 *(Note 33)*	**–**	**–**	**(28,671)**	**(28,671)**	**–**	**(28,671)**
Interim dividend relating to 2011 *(Note 33)*	**–**	**–**	**(10,040)**	**(10,040)**	**–**	**(10,040)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(18)**	**(18)**
Ordinary share issuance *(Note 20)*	**300**	**62,530**	**–**	**62,830**	**–**	**62,830**
Exercise of share option *(Note 20)*	**23**	**2,505**	**–**	**2,528**	**–**	**2,528**
Share-based compensation *(Note 27)*	**–**	**–**	**11,878**	**11,878**	**–**	**11,878**
Acquisition of non-controlling interests *(Note 35)*	**–**	**–**	**(67)**	**(67)**	**494**	**427**
Balance at 31 December 2011	**6,694**	**560,626**	**546,769**	**1,114,089**	**(7,812)**	**1,106,277**

The notes on pages 48 to 111 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	*34(a)*	**106,909**	12,605
Finance interest paid	*29*	**(1,809)**	(791)
Income tax paid		**(8,042)**	(24,862)
Net cash generated from/(used in) operating activities		**97,058**	(13,048)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**–**	(157,578)
Acquisition of non-controlling interests	*35*	**(238)**	–
Purchase of property, plant and equipment	*7*	**(80,865)**	(65,267)
Purchase of land use rights	*6*	**–**	(4,851)
Purchase of intangible assets	*9(b)*	**(22)**	(2,005)
Proceeds from disposal of property, plant and equipment	*34(b)*	**607**	331
Finance interest received	*29*	**1,003**	950
Dividends received from an associated company	*10(a)*	**65**	55
Net cash used in investing activities		**(79,450)**	(228,365)
Cash flows from financing activities			
Decrease/(increase) in restricted cash	*15*	**2,544**	(2,544)
Proceeds from borrowings	*34(c)*	**24,898**	11,424
Repayments of borrowings	*34(c)*	**(43,077)**	(17,604)
Dividends paid to equity holders		**(37,597)**	(51,642)
Dividends paid to non-controlling interests		**(18)**	–
Capital injections from non-controlling interests		**–**	200
Proceeds from loans from non-controlling interests	*34(c)*	**1,470**	3,920
Repayment of loan from non-controlling interest	*34(c)*	**(41)**	–
Net proceeds from issuance of ordinary share	*20*	**62,830**	–
Proceeds from exercise of share option	*20*	**2,528**	–
Net cash generated from/(used in) financing activities		**13,537**	(56,246)
Net increase/(decrease) in cash and cash equivalents		**31,145**	(297,659)
Cash and cash equivalents at the beginning of the year		**158,846**	455,015
Exchange gains on cash and cash equivalents		**1,489**	1,490
Cash and cash equivalents at the end of the year	*16*	**191,480**	158,846

The notes on pages 48 to 111 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Ming Fai International Holdings Limited (the "Company") is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and sales of amenity products and accessories and the distribution and retail business of cosmetics and fashion accessories in the People's Republic of China (the "PRC") with the brand "7 Magic" through franchisees.

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

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") on 29 March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(b) New standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011 but do not have a material impact on the Group

HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
Annual Improvements Project	Third improvements to Hong Kong Financial Reporting Standards (2010)

(c) New standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted

HKFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

HKFRS 10 "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 12 "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 13 "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Acquisition-related costs are expensed as incurred.

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

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

In the Company's balance sheet, the investment in a subsidiary is stated at cost less provision for impairment loss. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

(e) Transactions with non-controlling interests

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Associated company

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

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

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

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

Dilution gains and losses arising in investments in associated companies are recognised in the consolidated statement of comprehensive income.

(g) Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents up-front prepayments made for the rights to use the land for periods varying from 20 to 50 years.

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

(k) Investment properties

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

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

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

(l) Goodwill

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

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

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

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(m) Intangible assets

(i) Trademarks, club debentures and software licence

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

(ii) Brandname

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

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

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

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

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

(o) Financial assets – loans and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial assets – loans and receivables *(Continued)*

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.

(p) Inventories

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

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

(q) Trade, bills and other receivables

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

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

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

(r) Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(t) Borrowings

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

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

(u) Current and deferred income tax

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and an associated company, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(v) Employee benefits

(i) Employee leave entitlements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits *(Continued)*

(iv) Share-based compensation

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

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

When the options are cancelled during vesting periods the Group recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

(v) Termination benefits

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Provisions

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

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

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

(x) Revenue recognition

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

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

(i) Sales of goods

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

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

(ii) Rental income

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

(iii) Interest income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Operating lease

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

(z) Share capital

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

(aa) Dividend distribution

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

(ab) Contingent asset

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Foreign exchange risk

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Foreign exchange risk (Continued)

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

At 31 December 2011, if HK$ had strengthened/weakened by 5% against the RMB, with all other variables held constant, post-tax profit for the year would have been approximately HK$2,362,000 (2010: HK$804,000), higher or lower, mainly as a result of foreign exchange differences on translation of RMB denominated net payables.

At 31 December 2011, if RMB had strengthened/weakened by 5% against the US$, with all other variables held constant, post-tax profit for the year would have been approximately HK$4,948,000 (2010: HK$3,451,000), higher or lower, mainly as a result of foreign exchange differences on translation of US$ denominated net payables.

(ii) Interest rate risk

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

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

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

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

Based on the simulations performed, the impact on post-tax profit of a 200 basis-point shift would be a maximum increase/decrease of HK$1,009,000 (2010: HK$1,096,000) for the year ended 31 December 2011.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Price risk

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

(iv) Credit risk

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

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

The table below shows the credit limit and balance of the five major debtors at 31 December 2011 and 31 December 2010.

	As at 31 December			
	2011		2010	
Counterparty	**Credit limit HK$'000**	**Utilised HK$'000**	Credit limit HK$'000	Utilised HK$'000
A	**33,000**	**31,402**	9,000	8,656
B	**15,000**	**14,108**	12,000	11,945
C	**18,000**	**12,293**	18,000	11,414
D	**13,000**	**12,050**	8,000	7,156
E	**16,000**	**10,617**	16,000	15,484
F	**16,000**	**9,696**	16,000	14,592

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) *Credit risk* *(Continued)*

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

	As at 31 December	
	2011 HK$'000	2010 HK$'000
Trade and bills receivables		
Customers accepted within the past 12 months	**29,420**	12,100
Customers accepted beyond the past 12 months	**168,419**	114,621
Total	**197,839**	126,721

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

	As at 31 December	
	2011 HK$'000	2010 HK$'000
Cash and cash equivalents		
Cash at banks and bank deposits		
Listed financial institutions	**180,431**	151,752
Unlisted financial institutions	**10,015**	6,333
	190,446	158,085
Cash on hand	**1,034**	761
Total	**191,480**	158,846
Restricted cash		
Listed financial institution	**–**	2,544
Total	**–**	2,544

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(v) Liquidity risk

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

As at 31 December 2011, the cash and cash equivalents of the Group approximated to HK$191,480,000 (2010: HK$158,846,000).

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2011					
Borrowings	6,760	6,760	20,280	19,718	53,518
Trade payables	225,468	–	–	–	225,468
Accruals and other payables	134,390	–	–	–	134,390
Loans from non-controlling interests	5,410	–	–	–	5,410
Dividends payable	1,773	–	–	–	1,773
At 31 December 2010					
Borrowings	18,500	6,781	27,124	19,780	72,185
Trade payables	149,640	–	–	–	149,640
Accruals and other payables	89,093	–	–	–	89,093
Loans from non-controlling interests	4,682	–	–	–	4,682
Dividends payable	658	–	–	–	658
Long-term payables	–	11,483	–	–	11,483

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management

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

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

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

	As at 31 December	
	2011	2010
	HK$'000	HK$'000
Borrowings	**51,473**	69,423
Total equity	**1,106,277**	974,357
Gearing ratio	**4.7%**	7.1%

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to interest bearing current accounts and time deposits, with appropriate maturities to manage its overall liquidity position. As at 31 December 2011, the Group maintains cash and cash equivalents of approximately HK$191,480,000 (2010: HK$158,846,000) and trade and bills receivables of HK$336,411,000 (2010: HK$247,884,000), that are expected to be readily available to meet the cash outflows of its financial liabilities.

(c) Fair value estimation

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addresses below.

(i) Estimated impairment of goodwill

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

Details of the assumptions used in the impairment tests for goodwill is disclosed in note 9(a) to the consolidated financial statements.

(ii) Income taxes

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

(iii) Estimated valuation of investment properties

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

(iv) Estimated valuation of share-based compensation

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Critical judgements

(i) Constructions on leased premises

Certain constructions or renovations expenditures of the Group are located on leased land and buildings in the PRC. The landlords named in the corresponding lease agreements have informed the Group that they are unable to produce proper land and building ownership certificates or to provide valid lease permits or other necessary permissions. However, based on the Group's past experiences and available information and after consultation with the Group's PRC legal advisor, the directors of the Company are of the view that this is unlikely to cause the interruption or termination of these leases or to have a material effect on the carrying values of the related assets of approximately HK$14,072,000 (2010: HK$14,702,000) as at 31 December 2011. Accordingly, no impairment for such assets is considered necessary to be made according to the Group's accounting policies.

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

(ii) Impairment of trade and bills receivables

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

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

(iii) Impairment of obsolete inventories

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

5 SEGMENT INFORMATION

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

The Group is principally engaged in the manufacturing and distribution of amenity products. From a geographical perspective, the Board assesses the performance based on the Group's revenue by geographical location in which the customer is located. During the second half of 2010, the Group acquired All Team Group Limited and its subsidiaries ("All Team Group") which is principally engaged in the distribution and retail business of cosmetics and fashion accessories in the PRC with the brand "7 Magic" through franchisees. Subsequent to the acquisition, the Group has two reportable segments: (a) manufacturing and distribution business of amenity products and (b) distribution and retail business of cosmetics and fashion accessories.

The Board assesses the performance of the operating segments based on a measure of profit/(loss) before income tax and share of profit from an associated company.

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

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

5 SEGMENT INFORMATION *(Continued)*

Geographical

	Manufacturing and distribution business of amenity products								Distribution and retail business of cosmetics and fashion accessories			Others	
	North America	Europe	The PRC	Hong Kong	Australia	Other Asia Pacific countries *(Note i)*	Others *(Note ii)*	Sub-total	The PRC	Hong Kong	Sub-total		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2011													
Segment revenue	388,323	204,280	361,670	101,651	33,420	142,123	14,297	1,245,764	229,529	6,079	235,608	15,034	1,496,406
Inter-segment revenue	–	–	(15,925)	(2,155)	–	–	–	(18,080)	–	–	–	(2,957)	(21,037)
Revenue from external customers	388,323	204,280	345,745	99,496	33,420	142,123	14,297	1,227,684	229,529	6,079	235,608	12,077	1,475,369
Earnings/(loss) before interest, taxes, fair value gains on investment properties, depreciation and amortisation	33,842	13,851	34,544	4,242	743	9,651	1,348	98,221	44,534	(6,466)	38,068	(11,549)	124,740
Fair value gains on investment properties	–	–	–	–	–	–	–	–	–	–	–	6,000	6,000
Depreciation	(8,696)	(4,575)	(7,743)	(2,228)	(748)	(3,183)	(319)	(27,492)	(723)	(861)	(1,584)	(7,909)	(36,985)
Amortisation	(255)	(134)	(227)	(65)	(22)	(93)	(8)	(804)	(1,682)	(9)	(1,691)	(327)	(2,822)
Finance income	–	–	109	182	–	–	–	291	695	–	695	17	1,003
Finance costs	–	–	(9)	(754)	–	–	–	(763)	–	–	–	(1,046)	(1,809)
Segment profit/(loss) before income tax	24,891	9,142	26,674	1,377	(27)	6,375	1,021	69,453	42,824	(7,336)	35,488	(14,814)	90,127
Share of profit from an associated company													94
Income tax expense													(22,760)
Profit for the year													67,461

5 SEGMENT INFORMATION *(Continued)*

Geographical *(Continued)*

	Manufacturing and distribution business of amenity products					Distribution and retail business of cosmetics and fashion accessories			Others		
	The PRC	Hong Kong	Australia	Other locations *(Note iii)*	Sub-total	The PRC	Hong Kong	Sub-total		Inter-segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2011											
Total assets	**621,276**	**455,396**	**960**	**20,223**	**1,097,855**	**489,969**	**4,857**	**494,826**	**289,424**	**(212,538)**	**1,669,567**
Include:											
Investment in an associated company	**–**	**590**	**–**	**–**	**590**	**–**	**–**	**–**	**–**	**–**	**590**
Additions to non-current assets (other than deferred income tax assets)	**30,049**	**1,202**	**–**	**–**	**31,251**	**4,836**	**144**	**4,980**	**44,656**	**–**	**80,887**
Total liabilities	**284,208**	**118,060**	**66**	**2,713**	**405,047**	**180,704**	**22,233**	**202,937**	**167,844**	**(212,538)**	**563,290**

	Manufacturing and distribution business of amenity products								Distribution and retail business of cosmetics and fashion accessories			Others	
	North America	Europe	The PRC	Hong Kong	Australia	Other Asia Pacific countries *(Note i)*	Others *(Note ii)*	Sub-total	The PRC	Hong Kong	Sub-total		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2010													
Segment revenue	357,405	144,296	250,740	85,684	36,008	117,057	11,293	1,002,483	78,278	3,433	81,711	3,151	1,087,345
Inter-segment revenue	–	–	(1,339)	–	–	–	–	(1,339)	–	(73)	(73)	–	(1,412)
Revenue from external customers	357,405	144,296	249,401	85,684	36,008	117,057	11,293	1,001,144	78,278	3,360	81,638	3,151	1,085,933
Earnings/(loss) before interest, taxes, fair value gains on investment properties, depreciation and amortisation	58,996	13,595	34,381	9,749	2,533	19,742	1,247	140,243	17,253	(9,966)	7,287	3,983	151,513
Fair value gains on investment properties	–	–	–	–	–	–	–	–	–	–	–	14,000	14,000
Depreciation	(9,540)	(3,852)	(6,562)	(2,144)	(961)	(3,125)	(301)	(26,485)	(240)	(797)	(1,037)	(1,118)	(28,640)
Amortisation	(254)	(103)	(80)	(63)	(26)	(83)	(8)	(617)	(536)	(8)	(544)	(169)	(1,330)
Finance income	–	–	180	712	–	16	–	908	13	–	13	29	950
Finance costs	–	–	–	–	–	–	–	–	–	–	–	(791)	(791)
Segment profit/(loss) before income tax	49,202	9,640	27,919	8,254	1,546	16,550	938	114,049	16,490	(10,771)	5,719	15,934	135,702
Share of profit from an associated company													220
Income tax expense													(26,178)
Profit for the year													109,744

5 SEGMENT INFORMATION *(Continued)*

Geographical *(Continued)*

	Manufacturing and distribution business of amenity products					Distribution and retail business of cosmetics and fashion accessories			Others		
	The PRC	Hong Kong	Australia	Other locations *(Note iii)*	Sub-total	The PRC	Hong Kong	Sub-total		Inter-segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2010											
Total assets	470,199	442,498	1,761	20,041	934,499	404,122	7,684	411,806	248,625	(170,668)	1,424,262
Include:											
Investment in an associated company	–	561	–	–	561	–	–	–	–	–	561
Additions to non-current assets (other than deferred income tax assets)	12,866	6,471	–	394	19,731	345,555	554	346,109	107,226	–	473,066
Total liabilities	190,330	78,887	862	1,337	271,416	136,017	14,503	150,520	198,637	(170,668)	449,905

Notes:

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

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

(iii) Other locations mainly include Singapore.

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

6 LAND USE RIGHTS

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

	2011 **HK$'000**	2010 HK$'000
At 1 January	**25,966**	12,863
Additions	**–**	4,851
Acquisition of subsidiaries	**–**	9,301
Revaluation surplus upon transfer to investment properties	**–**	6,558
Transfer to investment properties *(Note 7 (note a))*	**–**	(8,031)
Amortisation *(Note 25)*	**(630)**	(476)
Exchange differences	**1,087**	900
At 31 December	**26,423**	25,966
In the PRC, held on:		
Leases of between 10 to 50 years	**26,423**	25,966

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

	2011 **HK$'000**	2010 HK$'000
Cost of sales	**384**	222
Distribution costs	**246**	254
	630	476

As at 31 December 2011, certain land use rights of aggregate carrying value approximating to HK$2,216,000 (2010: HK$11,695,000) were pledged as securities for a revolving loan and banking facilities. For details, please refer to note 21 to the consolidated financial statements.

7 PROPERTY, PLANT AND EQUIPMENT

	Land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2010									
Cost	55,867	87,822	56,610	10,582	5,399	8,007	99,615	803	324,705
Accumulated depreciation	(485)	(23,402)	(27,480)	(5,663)	(3,808)	(6,852)	(49,055)	–	(116,745)
Net book amount	55,382	64,420	29,130	4,919	1,591	1,155	50,560	803	207,960
Year ended 31 December 2010									
Opening net book amount	55,382	64,420	29,130	4,919	1,591	1,155	50,560	803	207,960
Additions	–	–	6,601	2,894	1,331	2,072	7,582	44,787	65,267
Acquisition of subsidiaries	–	23,196	1,800	60	223	224	3,221	–	28,724
Transfer upon completion	–	–	1,199	–	–	–	–	(1,199)	–
Transfer from investment properties *(Note (b))*	1,520	120	–	–	–	–	–	–	1,640
Revaluation surplus upon transfer to investment properties	–	509	–	–	–	–	–	–	509
Transfer to investment properties *(Note (a))*	–	(1,154)	–	–	–	–	–	–	(1,154)
Disposals	–	–	(15)	(203)	–	–	(120)	–	(338)
Depreciation *(Note 25)*	(1,515)	(4,950)	(6,482)	(2,115)	(1,210)	(1,429)	(10,939)	–	(28,640)
Exchange differences	–	2,710	1,127	164	62	71	2,013	1,161	7,308
Closing net book amount	55,387	84,851	33,360	5,719	1,997	2,093	52,317	45,552	281,276
At 31 December 2010									
Cost	57,387	113,917	68,275	13,297	7,262	10,584	113,618	45,552	429,892
Accumulated depreciation	(2,000)	(29,066)	(34,915)	(7,578)	(5,265)	(8,491)	(61,301)	–	(148,616)
Net book amount	55,387	84,851	33,360	5,719	1,997	2,093	52,317	45,552	281,276
Year ended 31 December 2011									
Opening net book amount	**55,387**	**84,851**	**33,360**	**5,719**	**1,997**	**2,093**	**52,317**	**45,552**	**281,276**
Additions	**–**	**9,879**	**6,702**	**3,255**	**3,879**	**4,190**	**52,416**	**544**	**80,865**
Transfer upon completion	**–**	**45,378**	**1,050**	**–**	**–**	**–**	**–**	**(46,428)**	**–**
Disposals	**–**	**–**	**(475)**	**(42)**	**(54)**	**(47)**	**(210)**	**–**	**(828)**
Depreciation *(Note 25)*	**(1,517)**	**(8,639)**	**(7,043)**	**(2,474)**	**(1,262)**	**(1,772)**	**(14,278)**	**–**	**(36,985)**
Exchange differences	**–**	**4,100**	**1,221**	**160**	**125**	**131**	**2,943**	**905**	**9,585**
Closing net book amount	**53,870**	**135,569**	**34,815**	**6,618**	**4,685**	**4,595**	**93,188**	**573**	**333,913**
At 31 December 2011									
Cost	**57,387**	**174,628**	**77,334**	**16,218**	**11,336**	**15,072**	**170,266**	**573**	**522,814**
Accumulated depreciation	**(3,517)**	**(39,059)**	**(42,519)**	**(9,600)**	**(6,651)**	**(10,477)**	**(77,078)**	**–**	**(188,901)**
Net book amount	**53,870**	**135,569**	**34,815**	**6,618**	**4,685**	**4,595**	**93,188**	**573**	**333,913**

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

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

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Cost of sales	**23,525**	16,235
Distribution costs	**3,207**	3,141
Administrative expenses	**10,253**	9,264
	36,985	28,640

As at 31 December 2011, certain property, plant and equipment with aggregate carrying value of approximately HK$85,238,000 (2010: HK$111,728,000) were pledged as securities for a mortgage loan, a revolving loan and certain banking facilities drawn by the Group. For details, please refer to note 21 to the consolidated financial statements.

8 INVESTMENT PROPERTIES

	2011 HK$'000	2010 HK$'000
At 1 January	**104,423**	82,640
Transfer from property, plant and equipment *(Note 7 (note a))*	**–**	9,185
Transfer to property, plant and equipment *(Note 7 (note b))*	**–**	(1,640)
Fair value gains on investment properties	**6,000**	14,000
Exchange differences	**400**	238
At 31 December	**110,823**	104,423

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

	2011 HK$'000	2010 HK$'000
Rental income *(Note 26)*	**3,240**	3,604
Direct operating expense arising from investment properties that generate rental income *(Note 25)*	**139**	95

8 INVESTMENT PROPERTIES *(Continued)*

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

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

	2011 HK$'000	2010 HK$'000
In Hong Kong, held on:		
Leases of less than 50 years	**101,000**	95,000
In PRC, held on:		
Leases of over 50 years	**9,823**	9,423
	110,823	104,423

(c) At 31 December 2011, certain investment properties with an aggregate carrying amount of HK$101,000,000 (2010: HK$95,000,000) were pledged as security for the mortgage loan drawn by the Group (Note 21).

(d) At 31 December 2011, the future aggregate minimum lease receipts under non-cancellable operating leases of investment properties not recognised in the consolidated financial statements, which are receivable by the Group as follows:

	2011 HK$'000	2010 HK$'000
Within one year	**2,962**	1,944
Later than one year but no later than 5 years	**1,751**	665
	4,713	2,609

9 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

On 31 August 2010, the Group acquired 100% of the equity interest of All Team Group, which is principally engaged in the distribution and retail business of cosmetics and fashion accessories in the PRC.

	2011 HK$'000	2010 HK$'000
At 1 January	**328,713**	–
Acquisition of subsidiaries	**–**	318,869
Exchange differences	**13,953**	9,844
At 31 December	**342,666**	328,713

Impairment test of goodwill

Goodwill is allocated to the Group's CGUs identified. As at 31 December 2011, goodwill of HK$342,666,000 is allocated to All Team Group.

The recoverable amount of a CGU is calculated using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows within the five-year period are extrapolated using the estimated growth rates stated below. 4% growth rate is assumed for cash flows beyond the five-year period. The growth rate does not exceed the long-term average growth rate for the country which the CGU operates.

The key assumptions used for the calculation are as follows:

	2011	2010
Average annual growth rate	**35.2%**	36.4%
Average gross margin	**34.0%**	31.0%
Discount rate	**15.7%**	15.7%

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

The recoverable amount calculated exceeded the carrying value. A reduction of average annual growth rate to 30.7% would remove the remaining headroom.

9 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

(b) Intangible assets

	Trademarks HK$'000	Investment in club debentures HK$'000	Brandname HK$'000	Software licence HK$'000	Total HK$'000
At 1 January 2010					
Cost	251	968	–	–	1,219
Accumulated amortisation	(47)	(589)	–	–	(636)
Net book amount	204	379	–	–	583
Year ended 31 December 2010					
Opening net book amount	204	379	–	–	583
Additions	197	–	–	1,808	2,005
Acquisition of subsidiaries	–	–	16,000	–	16,000
Amortisation *(Note 25)*	(40)	(97)	(536)	(181)	(854)
Exchange differences	–	–	480	–	480
Closing net book amount	361	282	15,944	1,627	18,214
At 31 December 2010					
Cost	448	968	16,494	1,808	19,718
Accumulated amortisation	(87)	(686)	(550)	(181)	(1,504)
Net book amount	361	282	15,944	1,627	18,214
Year ended 31 December 2011					
Opening net book amount	**361**	**282**	**15,944**	**1,627**	**18,214**
Additions	**22**	**–**	**–**	**–**	**22**
Amortisation *(Note 25)*	**(52)**	**(97)**	**(1,681)**	**(362)**	**(2,192)**
Exchange differences	**–**	**–**	**639**	**–**	**639**
Closing net book amount	**331**	**185**	**14,902**	**1,265**	**16,683**
At 31 December 2011					
Cost	**470**	**968**	**17,194**	**1,808**	**20,440**
Accumulated amortisation	**(139)**	**(783)**	**(2,292)**	**(543)**	**(3,757)**
Net book amount	**331**	**185**	**14,902**	**1,265**	**16,683**

9 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

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

	2011 HK$'000	2010 HK$'000
Distribution costs	**1,682**	536
Administrative expenses	**510**	318
	2,192	854

10 INVESTMENT IN AN ASSOCIATED COMPANY

(a) Investment in an associated company

	2011 HK$'000	2010 HK$'000
At 1 January	**561**	396
Share of profit for the year	**94**	220
Dividends received	**(65)**	(55)
At 31 December	**590**	561

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

Name of company	Number of issued shares held	Country of incorporation	Percentage of interest held	31 December 2011 Assets MYR	31 December 2011 Liabilities MYR	31 December 2011 Revenue MYR	31 December 2011 Profit MYR	31 December 2010 Assets MYR	31 December 2010 Liabilities MYR	31 December 2010 Revenue MYR	31 December 2010 Profit MYR
Quality Amenities Supply (M) Sdn. Bhd.	50,000	Malaysia	50%	**317,000**	**121,000**	**762,000**	**37,000**	373,000	137,000	671,000	91,000

(b) Amount due from an associated company

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

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

11 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority. The offset amounts are as follows:

	2011 HK$'000	2010 HK$'000
Deferred income tax assets		
– Deferred income tax assets to be realised after more than twelve months	**8,253**	2,981
Deferred income tax liabilities		
– Deferred income tax liabilities to be settled after more than twelve months	**(10,717)**	(11,053)
Deferred tax liabilities, net	**(2,464)**	(8,072)

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

	2011 HK$'000	2010 HK$'000
At 1 January	**(8,072)**	3,798
Recognised in the consolidated statement of comprehensive income	**5,808**	(1,141)
Recognised in equity as a result of revaluation upon transfer from property, plant and equipment to investment properties	**–**	(1,767)
Acquisition of subsidiaries	**–**	(8,790)
Exchange differences	**(200)**	(172)
At 31 December	**(2,464)**	(8,072)

11 DEFERRED INCOME TAX *(Continued)*

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

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2010	(242)	–	–	(242)
Acquisition of subsidiaries	–	–	(8,790)	(8,790)
Recognised in the consolidated statement of comprehensive income	(159)	–	216	57
Recognised in equity as a result of revaluation of property, plant and equipment before transfer to investment properties	–	(1,767)	–	(1,767)
Exchange differences	–	(45)	(266)	(311)
At 31 December 2010	(401)	(1,812)	(8,840)	(11,053)
Recognised in the consolidated statement of comprehensive income	94	–	679	773
Exchange differences	–	(77)	(360)	(437)
At 31 December 2011	**(307)**	**(1,889)**	**(8,521)**	**(10,717)**

Deferred income tax assets

	Total HK$'000
At 1 January 2010	4,040
Recognised in the consolidated statement of comprehensive income	(1,198)
Exchange differences	139
At 31 December 2010	2,981
Recognised in the consolidated statement of comprehensive income	5,035
Exchange differences	237
At 31 December 2011	**8,253**

11 DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities of HK$10,252,000 as at 31 December 2011 (2010: HK$7,095,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries. Unremitted earnings at a total of HK$149,003,000 at 31 December 2011 (2010: HK$119,809,000), and the Group does not intend to remit these unremitted earnings from the relevant subsidiaries to the Company in the foreseeable future.

12 INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	**72,383**	51,366
Work in progress	**11,527**	5,453
Finished goods	**124,894**	95,435
	208,804	152,254
Less: Provision for obsolete inventories	**(5,114)**	(4,062)
Inventories, net	**203,690**	148,192

The cost of inventories included in cost of sales during the year amounted to approximately HK$868,301,000 (2010: HK$592,330,000).

The gross amount of inventories carried at net realisable value amounted to approximately HK$5,114,000 (2010: HK$4,062,000) as at 31 December 2011. Full provision has been made with regard to these balances.

13 TRADE AND BILLS RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	**336,884**	248,328
Bills receivables	**4,526**	6,309
Receivable from a non-controlling interest	**583**	136
	341,993	254,773
Less: provision for impairment of receivables	**(5,582)**	(6,889)
Trade and bills receivables, net	**336,411**	247,884

13 TRADE AND BILLS RECEIVABLES *(Continued)*

Ageing analysis of trade and bills receivables as at 31 December 2011 is as follows:

	2011 HK$'000	2010 HK$'000
Current	**197,839**	126,721
1 – 30 days	**63,927**	51,929
31 – 60 days	**33,518**	28,013
61 – 90 days	**15,432**	15,380
91 – 180 days	**17,640**	22,607
Over 180 days	**13,637**	10,123
	341,993	254,773

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

	2011 HK$'000	2010 HK$'000
Denominated in:		
– US$	**141,164**	101,153
– RMB	**156,136**	120,249
– HK$	**32,730**	22,428
– Other currencies	**11,963**	10,943
	341,993	254,773

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

	2011 HK$'000	2010 HK$'000
Trade and bills receivables	**336,411**	247,884

As at 31 December 2011, trade and bills receivables of approximately HK$5,582,000 (2010: HK$6,889,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales made to the PRC customers which have remained long overdue.

13 TRADE AND BILLS RECEIVABLES *(Continued)*

As at 31 December 2011, trade and bills receivables of approximately HK$138,572,000 (2010: HK$121,163,000) 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:

	2011 HK$'000	2010 HK$'000
Up to 90 days	**112,871**	95,322
91 to 180 days	**17,608**	22,607
Over 180 days	**8,093**	3,234
	138,572	121,163

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

	2011 HK$'000	2010 HK$'000
At 1 January	**6,889**	4,593
Add: (write back of provision)/provision for impairment of trade and bills receivables	**(1,307)**	2,296
At 31 December	**5,582**	6,889

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

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

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current:				
Deposits	**4,260**	4,717	**–**	–
Prepayments	**25,308**	39,486	**145**	537
Other receivables	**51,104**	26,271	**11**	–
	80,672	70,474	**156**	537
Non-current:				
Long-term prepayments	**17,245**	27,560	**–**	–
	97,917	98,034	**156**	537

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current:				
Deposits	**4,260**	4,717	**–**	–
Other receivables	**51,104**	26,271	**11**	–
	55,364	30,988	**11**	–
Denominated in:				
– HK$	**10,381**	1,804	**11**	–
– RMB	**44,439**	28,862	**–**	–
– Other currencies	**544**	322	**–**	–
	55,364	30,988	**11**	–

As at 31 December 2011, prepayments of HK$24,000,000 (2010: HK$10,000,000) represents incentives to franchisees of the brandname "7 Magic".

The amount is capitalised as long-term prepayments and is amortised over the contractual franchise period, which is generally 36 months. In the event that the franchisee early terminates or breaches the terms of contract and the Group fails to recover the amount from the franchisees, any unamortised costs will be written off in the consolidated statement of comprehensive income in the period as incurred.

15 RESTRICTED CASH

	2011 HK$'000	2010 HK$'000
Restricted cash	–	2,544
Denominated in:		
– RMB	–	2,544

RMB denominated balances as at 31 December 2010 represent a mandatory deposit of RMB2,149,000 (approximately HK$2,544,000) placed with a commercial bank in the PRC in relation to the construction of a laundry plant in Changshu city, Jiangsu province, the PRC. Under the rules promulgated by the local government, a mandatory deposit of approximately 5% of the total construction costs is required to be placed with the local banks as restricted deposit. The amount was released in July 2011.

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Cash at banks and on hand	151,396	87,108	5,284	6,546
Short-term bank deposit	40,084	71,738	40,084	70,214
	191,480	158,846	45,368	76,760
Denominated in:				
– HK$	67,436	83,203	45,366	76,758
– RMB	68,318	40,072	–	–
– US$	32,832	17,400	2	2
– Other currencies	22,894	18,171	–	–
	191,480	158,846	45,368	76,760

The Group's cash and bank balances of approximately HK$79,279,000 (2010: approximately HK$47,495,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

The effective interest rate on short-term bank deposit was 0.19% (2010: 0.23%) per annum as at 31 December 2011, the deposit has an average maturity of 6 days (2010: 12 days).

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

(a) Investment in a subsidiary

	Company	
	2011	2010
	HK$'000	HK$'000
Investment, at cost	**232,318**	228,647

As at 31 December 2011, the Company had direct and indirect interests in the following principal subsidiaries:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/ paid-up capital	Attributable equity Direct	Attributable equity Indirect
Ming Fai Holdings Limited (明輝控股有限公司)	British Virgin Islands, limited liability company	Investment holding; Hong Kong	US$100	100%	–
Quality Amenities Supply Limited	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$1,000,000	–	100%
Ming Fai Asia Pacific Company Limited (明輝亞太有限公司)	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$10,000,000	–	100%
Ming Fai Enterprise International Company Limited (明輝實業國際有限公司)	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$3	–	100%
Ming Fai Industrial (Shenzhen) Company Limited (明輝實業(深圳)有限公司)	The PRC, limited liability company	Manufacturing and sales of amenity products and accessories; the PRC	HK$50,000,000	–	100%
Quality Amenities Supply Pte. Limited	Singapore, limited liability company	Trading of amenity products and accessories; Singapore	SG$100,000	–	100%
Luoding Quality Amenities Company Limited (羅定市品質旅遊用品有限公司)	The PRC, limited liability company	Manufacturing and sales of amenity products and accessories; the PRC	US$2,000,000	–	100%
MF Roommaster Australia Pty Limited *(Note 35)*	Australia, limited liability company	Trading of amenity products and accessories; Australia	AUD10,000	–	100%
卓譽佳(四川)商貿有限公司	The PRC, limited liability company	Trading of amenity products and accessories; the PRC	HK$1,000,000	–	100%
Cinese Textile Limited (梧州市金富盈酒店紡織用品有限公司)	The PRC, limited liability company	Manufacturing and sales of amenity products and accessories; the PRC	RMB5,000,000	–	51%

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

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

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/ paid-up capital	Attributable equity Direct	Attributable equity Indirect
Changshu Mingfai Travel Products Company Limited (常熟明輝旅遊用品有限公司)	The PRC, limited liability company	Laundry services; the PRC	US$12,000,000	–	100%
Prosperity International Creation Limited (恒昌國際創建有限公司)	Hong Kong, limited liability company	Retail of amenity products and accessories; Hong Kong	HK$2,000,000	–	51%
Chartered Properties Limited (特許置業有限公司)	Hong Kong, limited liability company	Property holding and investment; Hong Kong	HK$100,000	–	100%
Maytex International Limited (美華國際有限公司) *(Note 35)*	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$1,000,000	–	100%
Mass Hong Kong Development Limited (寶昇香港發展有限公司)	Hong Kong, limited liability company	Manufacturing and sales of cosmetics and skincare products; Hong Kong	HK$100,000	–	100%
All Team Group Limited (奧天集團有限公司)	British Virgin Islands, limited liability company	Investment holding; Hong Kong	US$100	–	86%
Guangzhou 7 Magic Investment Consultancy Company Limited (廣州七色花投資顧問有限公司)	The PRC, limited liability company	Distribution and retail business of cosmetics and fashion accessories; the PRC	RMB3,000,000	–	86%
Parel (Guangzhou) Cosmetics Limited (廣州蓓柔化妝品有限公司)	The PRC, limited liability company	Manufacturing and sales of cosmetic and skincare products; the PRC	RMB4,500,000	–	86%
Allteam China Cosmetics Limited (廣州奧天聯華化妝品有限公司)	The PRC, limited liability company	Manufacturing and sales of cosmetic and skincare products; the PRC	US$375,000	–	86%
Jiangsu 7 Magic Trading Company Limited (江蘇七色花貿易有限公司)	The PRC, limited liability company	Distribution and retail business of cosmetic and fashion accessories; the PRC	US$225,000	–	86%

(b) Amounts due from/to subsidiaries

At 31 December 2011, except for an amount of approximately HK$78,000,000 (2010: HK$57,562,000) due from a subsidiary, which currently bears interest at 5% per annum, and unsecured and repayable on demand, the remaining balances were unsecured, interest free and repayable on demand. The carrying values of these balances denominated in HK$ approximate their fair values.

18 RESERVES

(a) Other reserves – Group

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

18 RESERVES *(Continued)*

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

	Merger reserve *(Note (i))* HK$'000	Statutory reserve fund *(Note (ii))* HK$'000	Share-based compensation reserve HK$'000	Other reserves HK$'000	Exchange reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2011	61,510	11,887	11,493	5,300	31,605	354,782	476,577
Comprehensive income							
Profit for the year	–	–	–	–	–	71,666	71,666
Other comprehensive income							
Currency translation differences	–	–	–	–	25,426	–	25,426
Total comprehensive income	–	–	–	–	25,426	71,666	97,092
Final dividend relating to 2010	–	–	–	–	–	(28,671)	(28,671)
Interim dividend relating to 2011	–	–	–	–	–	(10,040)	(10,040)
Profit appropriation to statutory reserves	–	4,638	–	–	–	(4,638)	–
Exercise of share option	–	–	(965)	–	–	965	–
Share-based compensation *(Note 27)*	–	–	11,878	–	–	–	11,878
Acquisition of non-controlling interest *(Note 35)*	–	–	–	(67)	–	–	(67)
Balance at 31 December 2011	61,510	16,525	22,406	5,233	57,031	384,064	546,769
Representing:							
Reserves							533,381
Proposed final dividend *(Note 33)*							13,388
							546,769

Note (i)

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

Note (ii)

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

18 RESERVES *(Continued)*

(b) Other reserves – Company

	Merger reserve *(Note (i))* HK$'000	Share-based compensation reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2010	224,147	2,857	2,662	229,666
Comprehensive income				
Profit for the year	–	–	57,533	57,533
Total comprehensive income	–	–	57,533	57,533
Final dividends relating to 2009	–	–	(30,000)	(30,000)
Interim dividends relating to 2010	–	–	(22,300)	(22,300)
Share-based compensation *(Note 27)*	–	8,636	–	8,636
Balance at 31 December 2010	**224,147**	**11,493**	**7,895**	**243,535**
Representing:				
Reserves				214,864
Proposed final dividend *(Note 33)*				28,671
Balance at 31 December 2010				243,535
Balance at 1 January 2011	224,147	11,493	7,895	243,535
Comprehensive income				
Profit for the year	–	–	37,063	37,063
Total comprehensive income	–	–	37,063	37,063
Final dividends relating to 2010	–	–	(28,671)	(28,671)
Interim dividends relating to 2011	–	–	(10,040)	(10,040)
Exercise of share option	–	(965)	965	–
Share-based compensation *(Note 27)*	–	11,878	–	11,878
Balance at 31 December 2011	**224,147**	**22,406**	**7,212**	**253,765**
Representing:				
Reserves				240,377
Proposed final dividend *(Note 33)*				13,388
Balance at 31 December 2011				253,765

19 SHARE-BASED PAYMENT

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

During the year ended 31 December 2009, a total of 32,000,000 share options were granted to certain directors and employees. 50% of the options are vested after two years from date of grant and the remaining of 50% of the options are only vested after four years from the date of grant. The options will lapse on 23 June 2019. 600,000 and 1,158,000 share options were forfeited during the year ended 31 December 2010 and 2009, respectively. No share options were cancelled or lapsed during the year ended 31 December 2011.

On 7 May 2010, a total of 3,700,000 share options were granted to certain employees of the Group. 50% of the options are vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. The options will lapse on 7 May 2020. 100,000 share options were forfeited during the year ended 31 December 2011. All share options were cancelled during the year ended 31 December 2011.

On 14 September 2010, a total of 1,758,000 share options were granted to a director and an employee of the Group. 50% of the options are vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. The options will lapse on 14 September 2020. All share options were cancelled during the year ended 31 December 2011.

On 10 February 2011, a total of 1,100,000 share options were granted to certain employees. 50% of the options are vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. The options will lapse on 10 February 2021. All share options were cancelled during the year ended 31 December 2011.

On 9 September 2011, a total of 17,790,000 share options were granted to a director and certain employees. 50% of the options are vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. The options will lapse on 9 September 2021. 775,000 share options were forfeited during the year ended 31 December 2011. No share options were cancelled or lapsed during the year ended 31 December 2011.

19 SHARE-BASED PAYMENT *(Continued)*

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

	2011		2010	
	Average exercise price in HK$ per share	**Number of share options (thousands)**	Average exercise price in HK$ per share	Number of share options (thousands)
At 1 January	**1.47**	**35,700**	1.12	30,842
Granted	**1.65**	**18,890**	3.42	5,458
Forfeited	**1.82**	**(875)**	1.12	(600)
Exercised	**1.12**	**(2,257)**	–	–
Expired	**–**	**–**	–	–
Cancelled	**3.32**	**(6,458)**	–	–
At 31 December	**1.29**	**45,000**	1.47	35,700

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

Expiry date	**Exercise price in HK$ per share**	**Number of share options (thousands)** 2011	**Number of share options (thousands)** 2010
23 June 2019	1.12	**27,985**	30,242
7 May 2020	3.72	**–**	3,700
14 September 2020	2.80	**–**	1,758
9 September 2021	1.58	**17,015**	–
		45,000	35,700

Out of the 45,000,000 outstanding options (2010: 35,700,000 options), 12,864,000 options (2010: Nil) were exercisable. Options exercised in 2011 resulted in 2,257,000 shares (2010: Nil) being issued at a weighted average price of HK$1.12 each (2010: Nil). The related weighted average share price at the time of exercise was HK$2.08 (2010: Nil) per share.

19 SHARE-BASED PAYMENT *(Continued)*

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

	Options granted on 9 September 2011
Exercise price	HK$1.58 per share
Fair value of the options	HK$0.5207 to HK$0.5979 per option
Closing price of the share at the date of grant	HK$1.54 per share
Risk free interest rate	1.573%
Volatility	56%
Expected dividend yield rate	5.19%

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

20 SHARE CAPITAL AND SHARE PREMIUM

	2011		2010	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January and 31 December	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
At 1 January	**637,130,293**	**6,371**	600,000,000	6,000
Issue of ordinary share in relation to a business combination *(Note (a))*	**–**	**–**	37,130,293	371
Ordinary share issuance *(Note (b))*	**30,000,000**	**300**	–	–
Exercise of share option *(Note 19)*	**2,257,000**	**23**	–	–
At 31 December	**669,387,293**	**6,694**	637,130,293	6,371

20 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

	Share capital HK$'000	Share premium HK$'000	Total HK$'000
Balance at 1 January 2010	6,000	408,242	414,242
Issuance of ordinary share in relation to a business combination *(Note (a))*	371	87,349	87,720
Balance at 31 December 2010	6,371	495,591	501,962
Ordinary share issuance *(Note (b))*	300	62,530	62,830
Exercise of share option *(Note 19)*	23	2,505	2,528
Balance at 31 December 2011	**6,694**	**560,626**	**567,320**

Note (a):

During the year ended 31 December 2010, 37,130,293 shares were issued for the acquisition of All Team Group totaling an approximate amount of HK$92,826,000. 50% of the shares are restricted from trading until the earlier of 30 April 2012 or the issue of audited financial statements of All Team Group for the year ended 31 December 2011 ("the lock-up feature"). The excess of the issue price over the par value of the shares, net of the fair value of the lock-up feature, which amounted to approximately HK$87,349,000 was credited to the share premium account.

In accordance with the sale and purchase agreement, should the profit of All Team Group during the year 31 December 2011 fall below RMB50,000,000 (equivalent to approximately HK$57,400,000), the Group should be entitled to recover a maximum of 18,565,000 ordinary shares from the vendors. The transaction will be recognised upon completion of the related share transfer.

Note (b):

On 9 June 2011, the Company allotted 30,000,000 ordinary shares at a price HK$2.124 per share, the net proceeds for the ordinary share issuance approximated HK$62,830,000 after deduction of transaction cost.

21 BORROWINGS

	2011 HK$'000	2010 HK$'000
Non-current:		
Long-term bank borrowings	**45,190**	51,497
Current:		
Short-term bank borrowings	–	11,719
Current portion of long-term bank borrowings	**6,283**	6,207
	51,473	69,423
Representing:		
Secured	**51,473**	69,423

21 BORROWINGS *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Non-current:		
– HK$ *(Note a)*	**45,190**	51,497
Representing:		
Later than one year and no later than five years	**25,759**	25,484
Over five years	**19,431**	26,013
	45,190	51,497

	2011 HK$'000	2010 HK$'000
Current:		
– HK$ *(Note a)*	**6,283**	6,207
– RMB *(Note b)*	**–**	11,719

The weighted average effective interest rate per annum of the Group's borrowings at 31 December 2011 and 2010 are set out as follows:

	2011	2010
– HK$ *(Note a)*	**0.97%**	0.93%
– RMB *(Note b)*	**–**	6.11%

Note a:

In November 2009, the Group has obtained a HK$ denominated mortgage loan, which bore interest at the lower of one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% and HK$ Prime rate less 1.75%, for acquiring certain properties in Hong Kong. These properties were pledged against the mortgage loan and included in property, plant and equipment and investment properties in the consolidated financial statements of the Group, with net carrying values of HK$61,117,000 and HK$101,000,000, respectively, as at 31 December 2011 (2010: HK$63,128,000 and HK$95,000,000, respectively).

21 BORROWINGS *(Continued)*

Note b:

As part of the acquisition of All Team Group during the year ended 31 December 2010, there was a RMB denominated revolving loan acquired, which bore interest at the three months lending rate of The People's Bank of China times 1.15 for working capital. A property was pledged against the revolving loan and was included in land use rights and property, plant and equipment in the consolidated financial statements of the Group, with net carrying values of HK$9,514,000 & HK$23,325,000, respectively, as at 31 December 2010. The loan was settled during the year ended 31 December 2011.

Another subsidiary of the Group had entered into the banking facilities which were secured by land use rights and property, plant and equipment with net carrying values of approximately HK$2,216,000 (2010: HK$2,181,000) and HK$24,211,000 (2010: HK$25,275,000), respectively.

Interest expense on borrowings for the year ended 31 December 2011 was approximately HK$1,809,000 (2010: approximately HK$791,000).

The carrying amounts of long-term bank borrowings approximate their fair values as the impact of discounting is not significant.

At the balance sheet date, the Group had the following undrawn borrowing facilities:

	2011 HK$'000	2010 HK$'000
Floating rate		
– Expiring within one year	**143,990**	41,431

22 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2011 HK$'000	2010 HK$'000
Current	**149,771**	85,061
1 – 30 days	**57,405**	46,310
31 – 60 days	**11,150**	9,693
61 – 90 days	**2,707**	3,864
Over 90 days	**4,435**	4,712
	225,468	149,640
Denominated in:		
– HK$	**19,633**	18,771
– RMB	**184,348**	122,561
– US$	**19,440**	7,983
– Other currencies	**2,047**	325
	225,468	149,640

23 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Advance from customers	**29,505**	21,909	**–**	–
Other payables *(Note a)*	**98,931**	78,022	**–**	–
Accruals	**98,101**	88,547	**721**	2,638
	226,537	188,478	**721**	2,638
Less: non-current portion	**–**	10,471	**–**	–
	226,537	178,007	**721**	2,638

The carrying values of these balances approximates their fair values.

Note a:

According to the sale and purchase agreement in relation to the acquisition of All Team Group, RMB 10,000,000 (equivalent to approximately HK$11,625,000) shall be withheld by the Group until December 2012 to satisfy any claims against the vendors in respect of any breaches of warranties provided in the sales and purchase agreement. As at 31 December 2010, the amount withheld was recognised as a long-term payable in the consolidated balance sheet, as a financial liability carried at amortised cost. The balance was reclassified as a current liability as at 31 December 2011.

24 LOANS FROM NON-CONTROLLING INTERESTS

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

The balances are denominated as follows:

	2011 HK$'000	2010 HK$'000
HK$	**5,410**	3,940
Australian dollar ("AUD")	**–**	742
	5,410	4,682

25 EXPENSES BY NATURE

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

	2011 HK$'000	2010 HK$'000
Changes in inventories *(Note 12)*	**868,301**	592,330
Auditor's remuneration	**3,300**	3,220
Amortisation of land use rights *(Note 6)*	**630**	476
Depreciation of property, plant and equipment *(Note 7)*	**36,985**	28,640
Amortisation of intangible assets *(Note 9)*	**2,192**	854
Operating lease rental in respect of buildings	**15,151**	13,772
Provision for/(write-back of provision) for obsolete inventories	**1,052**	(3,670)
(Write-back of provision)/provision for impairment of trade and bills receivables *(Note 13)*	**(1,307)**	2,296
Employee benefit expenses *(Note 27)*	**263,251**	181,101
Transportation expenses	**50,368**	45,806
Exchange gains	**(3,020)**	(3,648)
Advertising costs	**14,222**	6,701
Loss on disposal of property, plant and equipment *(Note 34(b))*	**221**	7
Direct operating expenses arising from investment properties that generate rental income *(Note 8)*	**139**	95
Utilities expenses	**22,889**	22,723

26 OTHER INCOME

	2011 HK$'000	2010 HK$'000
Income from sales of scrap materials	**1,809**	939
Rental income *(Note 8)*	**3,240**	3,604
Others	**1,735**	349
	6,784	4,892

27 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2011 HK$'000	2010 HK$'000
Salaries, wages and bonuses	**228,904**	162,438
Pension costs – defined contribution plans	**1,047**	821
Welfare and other expenses	**21,422**	9,206
Share-based compensation	**11,878**	8,636
	263,251	181,101

On 15 August 2011, the Group entered into sale and purchase agreements with certain directors and senior management of All Team Group ("Receiving Parties"), pursuant to which the Group agreed to sell a total of 14% of the issued share capital of All Team Group at a total consideration of RMB35,000,000 (equivalent to approximately HK$43,050,000) to the receiving parties. There is a buyback mechanism associated with the sale, whereby the Receiving Parties are obligated to sell the shares back to the Group at pre-determined transfer price upon the occurrence of certain events. These events include the cessation of the Receiving Parties as a shareholder or an employee of All Team Group. This transaction is accounted as an employment benefit using the net profit attributable to the Receiving Parties, adjusted at each year end to reflect the attributed profit to date. A related staff cost of HK$265,000, representing 14% of the net profit of All Team Group from 15 August 2011 (i.e. date of grant) to 31 December 2011, was recognised in the consolidated statement of comprehensive income. As at 31 December 2011, a payable balance of approximately HK$19,121,000 was recognised within other payables of the consolidated balance sheet.

28 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2011 HK$'000	2010 HK$'000
Fees	**1,290**	1,281
Basic salaries, housing allowances, other allowances and benefits-in-kind	**5,866**	5,839
Share-based compensation	**2,909**	3,570
Contributions to pension plans	**103**	69
	10,168	10,759

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

(a) Directors' emoluments *(Continued)*

The emoluments of every director for the year ended 31 December 2011 is as follows:

Name of Directors	Fees	Salary	Discretionary bonuses	Share-based compensation	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Mr. Ching Chi Fai	120	1,080	500	69	12	1,781
Mr. Ching Chi Keung	120	390	243	462	12	1,227
Mr. Liu Zigang	120	415	445	462	24	1,466
Mr. Lee King Hay	120	709	244	462	31	1,566
Ms. Chan Yim Ching	120	631	463	462	12	1,688
Mr. Leung Ping Shing	120	494	252	716	12	1,594
Independent non-executive Directors						
Mr. Hung Kam Hung Allan	150	–	–	69	–	219
Mr. Ma Chun Fung Horace	150	–	–	69	–	219
Mr. Sun Kai Lit Cliff	150	–	–	69	–	219
Non-executive Director						
Mr. Ng Bo Kwong	120	–	–	69	–	189
Total	1,290	3,719	2,147	2,909	103	10,168

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

(a) Directors' emoluments *(Continued)*

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

Name of Directors	Fees	Salary	Discretionary bonuses	Share-based compensation	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Mr. Ching Chi Fai	120	1,080	900	107	12	2,219
Mr. Ching Chi Keung	120	390	414	714	12	1,650
Mr. Liu Zigang	120	400	565	714	21	1,820
Mr. Lee King Hay	120	390	414	714	12	1,650
Ms. Chan Yim Ching	120	614	582	716	12	2,044
Mr. Leung Ping Shing *(Note ii)*	10	40	50	177	–	277
Independent non-executive Directors						
Mr. Hung Kam Hung Allan	150	–	–	107	–	257
Mr. Ma Chun Fung Horace	150	–	–	107	–	257
Mr. Sun Kai Lit Cliff	150	–	–	107	–	257
Non-executive Directors						
Mr. Ching Chau Chung *(Note i)*	35	–	–	–	–	35
Mr. Ng Bo Kwong	120	–	–	107	–	227
Mr. Leung Ping Shing *(Note ii)*	66	–	–	–	–	66
Total	1,281	2,914	2,925	3,570	69	10,759

Note:

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

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

The emoluments of the directors fall within the following bands:

	Number of Individuals	
	2011	2010
Nil to HK$1,000,000	**4**	6
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**4**	3
HK$2,000,001 to HK$2,500,000	**–**	2

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2011 include four directors (2010: five) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual for the year ended 31 December 2011 were as follows:

	2011 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	1,256
Share-based compensation	1,324
Contributions to pension plans	12
	2,592

The emoluments of the remaining individual fall within the following band:

	Number of Individuals **2011**
HK$2,500,001 to HK$3,000,000	1

(c) No emoluments have been paid to the individual or the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2011 (2010: Nil).

29 FINANCE INCOME AND FINANCE COSTS

	2011 **HK$'000**	2010 HK$'000
Finance costs on bank borrowings		
– wholly repayable within five years	**(1,809)**	(791)
Finance costs	**(1,809)**	(791)
Finance income	**1,003**	950
Finance (costs)/income – net	**(806)**	159

30 INCOME TAX EXPENSE

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

	2011 HK$'000	2010 HK$'000
Current income tax:		
– Hong Kong profits tax	**7,642**	8,214
– PRC enterprise income tax	**20,114**	16,178
– Singapore income tax	**812**	645
	28,568	25,037
Deferred income tax	**(5,808)**	1,141
	22,760	26,178

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

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year ended 31 December 2011.

The new Corporate Income Tax Law in the PRC became effective since 1 January 2008 with standard income tax rate of 25%. The tax rate applicable to certain subsidiaries in Shenzhen and Guangzhou, established prior to 16 March 2007, is 24% (2010: 22%) for the year ended 31 December 2011. This will be increased to 25% in 2012.

The applicable corporate income tax rate of Luoding Quality Amenities Company Limited, a subsidiary of the Group, is 25% (2010: 25%). Luoding Quality Amenities Company Limited is eligible for corporate tax exemption for two years in 2008 and 2009, followed by a 50% reduction in corporate income tax rate in the next three years from 2010 to 2012.

Corporate tax in Singapore has been provided at the rate of 17% (2010: 17%) on the estimated assessable profit for the year ended 31 December 2011.

30 INCOME TAX EXPENSE *(Continued)*

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

	2011 **HK$'000**	2010 HK$'000
Profit before income tax	**90,221**	135,922
Tax calculated at domestic tax rates applicable to profits in the respective countries	**28,493**	26,966
Income not subject to tax	**(17,521)**	(7,337)
Expenses not deductible for tax purposes	**5,702**	3,385
Tax losses for which no deferred income tax asset was recognised	**6,086**	3,164
Tax charge	**22,760**	26,178

The weighted average applicable tax rate was 25% (2010:19%) per annum for the year ended 31 December 2011.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxation profits is probable. The Group has unrecognised tax losses of approximately HK$47,669,000 (2010: HK$22,942,000) as at 31 December 2011 to offset against future taxable income. These tax losses expire in the following years:

	2011 **HK$'000**	2010 HK$'000
In the first to fifth years inclusive	**24,162**	7,606
No expiry date	**23,507**	15,336
	47,669	22,942

31 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$37,063,000 (2010: HK$57,533,000).

32 EARNINGS PER SHARE

(a) Basic

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

	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**71,666**	116,128
Weighted average number of ordinary shares in issue (thousands)	**655,143**	612,377
Basic earnings per share attributable to equity holders of the Company (HK cents)	**10.9**	19.0

(b) Diluted

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

	2011	2010
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	**71,666**	116,128
Weighted average number of ordinary shares in issue (thousands)	**655,143**	612,377
Adjustments for:		
– Share options (thousands)	**12,238**	17,210
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**667,381**	629,587
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**10.7**	18.4

33 DIVIDENDS

On 12 May 2011, a final dividend of HK4.5 cents per share for the year ended 31 December 2010, amounting to a total dividend of approximately HK$28,671,000 was approved by the Company's shareholders.

On 30 August 2011, the Board resolved to pay an interim dividend of HK1.5 cents per share for the six months ended 30 June 2011, amounting to a total dividend of approximately HK$10,040,000 (six months ended 30 June 2010: HK3.5 cents per share).

The final dividend in respect of the year ended 31 December 2011 of HK2.0 cents per share, amounting to a total dividend of approximately HK$13,388,000, is proposed on 29 March 2012, which is subject to approval at the annual general meeting (the "AGM") to be held on 24 May 2012. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2011.

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2011 **HK$'000**	2010 HK$'000
Profit before income tax	**90,221**	135,922
Adjustments for:		
– Amortisation of land use rights *(Note 6)*	**630**	476
– Depreciation of property, plant and equipment *(Note 7)*	**36,985**	28,640
– Amortisation of intangible assets *(Note 9)*	**2,192**	854
– Loss on disposal of property, plant and equipment *(Note 25)*	**221**	7
– Finance income *(Note 29)*	**(1,003)**	(950)
– Finance expense *(Note 29)*	**1,809**	791
– Provision for/(write-back of provision) for obsolete inventories *(Note 25)*	**1,052**	(3,670)
– (Write-back of provision)/provision for impairment of trade and bills receivables *(Note 13)*	**(1,307)**	2,296
– Share of profit of an associated company *(Note 10(a))*	**(94)**	(220)
– Fair value gain on investment properties *(Note 8)*	**(6,000)**	(14,000)
– Share-based compensation *(Note 27)*	**11,878**	8,636
Changes in working capital:		
– Inventories	**(56,550)**	(58,129)
– Trade and bills receivables	**(87,220)**	(55,379)
– Deposits, prepayments and other receivables	**117**	(60,573)
– Trade payables	**75,828**	33,932
– Accruals and other payables	**38,059**	(6,556)
– Amount due from an associated company	**91**	528
Cash generated from operations	**106,909**	12,605

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

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

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

	2011 **HK$'000**	2010 HK$'000
Net book amount:		
– Property, plant and equipment *(Note 7)*	**828**	338
Loss on disposal of property, plant and equipment	**(221)**	(7)
Proceeds from disposal of property, plant and equipment	**607**	331

(c) Analysis of changes in financing during the year

Bank borrowings

	2011 **HK$'000**	2010 HK$'000
At 1 January	**69,423**	63,884
Acquisition of subsidiaries	**–**	11,368
Proceeds from borrowings	**24,898**	11,424
Repayments of borrowings	**(43,077)**	(17,604)
Exchange difference	**229**	351
At 31 December	**51,473**	69,423

Loans from non-controlling interests

	2011 **HK$'000**	2010 HK$'000
At 1 January	**4,682**	661
Proceeds from loans	**1,470**	3,920
Repayments of loans	**(41)**	–
Assignment of loans to the Group *(Note 35)*	**(665)**	–
Exchange difference	**(36)**	101
At 31 December	**5,410**	4,682

35 TRANSACTION WITH NON-CONTROLLING INTERESTS

On 16 August 2011, the Group acquired the remaining 20% equity interest in Maytex International Limited ("Maytex") at a consideration of HK$200,000. After the transaction, Maytex becomes a wholly owned subsidiary of the Group. This represents a transaction with non-controlling interests. The difference between the consideration paid and the share of net asset value acquired from the non-controlling interests of HK$2,000 is credited in equity in the Group's consolidated balance sheet.

On 30 September 2011, the Group acquired the remaining 49% equity interest in MF Roommaster Australia Pty Limited ("MF Roommaster") at a consideration of HK$38,000. MF Roommaster becomes a wholly owned subsidiary of the Group after the transaction. This represents a transaction with non-controlling interests. The difference between the consideration paid and the share of net asset value acquired from the non-controlling interests of HK$69,000 is debited in equity in the Group's consolidated balance sheet. As part of the transaction, a loan payable by the non-controlling interest of HK$665,000 was assigned to the Group.

36 COMMITMENTS

(a) Capital commitments

As at 31 December 2011, the capital commitments of the Group were HK$2,658,000 (2010: HK$36,429,000).

	2011 HK$'000	2010 HK$'000
Contracted but not provided for in the consolidated financial statements	**2,658**	36,429

(b) Operating lease commitments

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

	2011 HK$'000	2010 HK$'000
No later than one year	**8,029**	12,851
Later than one year and no later than five years	**4,676**	10,747
	12,705	23,598

(c) Other commitments

As at 31 December 2011, the Group has the following other commitments:

	2011 HK$'000	2010 HK$'000
No later than one year	**1,451**	7,836

37 RELATED PARTY TRANSACTIONS

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

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

(a) Significant related party transactions

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

Name of related party	Principal business activities	Relationship with the Group
Mr. Liu Zigang	Not applicable	A shareholder and a director of the Company
Ming Fai Plastic Industrial Company	Manufacturing of plastic products (Ceased manufacturing of plastic products since April 2003)	Partnership owned by Mr. Ching Chi Fai, Mr. Yeung Tin Loi and Mr. Ching Chi Keung
Quality Amenities Supply (M) Sdn. Bhd.	Trading of hotel amenities and accessories	Associated company of the Company
Advance Management Consultants Limited	Provision of consultancy services	Company owned by Mr. Ng Bo Kwong who is a non-executive Director of the Company

The Group had the following significant transactions with related parties:

		2011 HK$'000	2010 HK$'000
(i)	Sales of goods		
	– to Quality Amenities Supply (M) Sdn. Bhd.	**2,195**	1,675
(ii)	Rental charged		
	– by Ming Fai Plastic Industrial Company	**959**	991
	– by Mr. Liu Zigang	**159**	152
(iii)	Purchase of services rendered from		
	– Consultancy service from Advance Management Consultants Limited	**135**	130
	– Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd	**839**	586

37 RELATED PARTY TRANSACTIONS *(Continued)*

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

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

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

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

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

(b) Key management compensation

	2011 HK$'000	2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**7,155**	10,690
Share-based compensation	**2,909**	–
Contributions to pension plans	**116**	69
	10,180	10,759

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

	2011 HK$'000	2010 HK$'000
Amount due from		
– Quality Amenities Supply (M) Sdn. Bhd	**673**	764

(d) Loan to an associated company

	2011 HK$'000	2010 HK$'000
At 1 January	**–**	484
Repayment of loan during the year	**–**	(484)
At 31 December	**–**	–

Five Year Financial Summary

CONSOLIDATED/COMBINED RESULTS

	Year ended 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Revenue	846,017	876,044	811,336	1,085,933	**1,475,369**
Profit before income tax	156,042	121,517	119,713	135,922	**90,221**
Income tax expense	(30,110)	(20,673)	(23,444)	(26,178)	**(22,760)**
Profit for the year	125,932	100,844	96,269	109,744	**67,461**

CONSOLIDATED/COMBINED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
ASSETS					
Non-current assets	146,424	157,110	308,482	789,694	**856,596**
Current assets	802,887	854,052	753,475	634,568	**812,971**
Total assets	949,311	1,011,162	1,061,957	1,424,262	**1,669,567**
EQUITY AND LIABILITIES					
Total equity	706,166	760,934	795,735	974,357	**1,106,277**
Non-current liabilities	322	343	57,919	73,021	**55,907**
Current liabilities	242,823	249,885	208,303	376,884	**507,383**
Total liabilities	243,145	250,228	266,222	449,905	**563,290**
Total equity and liabilities	949,311	1,011,162	1,061,957	1,424,262	**1,669,567**