(Stock Code: 3828)

明輝國際控股有限公司*

Ming Fai International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT **2008**

* For identification only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

CHING Chi Fai *(Chairman)*

CHING Chau Chung

CHING Chi Keung

LIU Zigang

LEE King Hay

CHAN Yim Ching

Non-executive Director:

NG Bo Kwong

Independent Non-executive Directors:

SUN Kai Lit Cliff *BBS, JP*

HUNG Kam Hung Allan

MA Chun Fung Horace

AUDIT COMMITTEE

MA Chun Fung Horace *(Chairman)*

SUN Kai Lit Cliff *BBS, JP*

HUNG Kam Hung Allan

NG Bo Kwong

REMUNERATION COMMITTEE

CHING Chi Fai *(Chairman)*

MA Chun Fung Horace

SUN Kai Lit Cliff *BBS, JP*

HUNG Kam Hung Allan

NG Bo Kwong

EXECUTIVE COMMITTEE

CHING Chi Fai *(Chairman)*

CHING Chau Chung

CHING Chi Keung

LIU Zigang

LEE King Hay

CHAN Yim Ching

INVESTMENT COMMITTEE

CHING Chi Fai *(Chairman)*

CHING Chau Chung

MA Chun Fung Horace

CHIU Yu To Alan

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

CHIU Yu To Alan *CPA*

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

The Hong Kong and Shanghai Banking Corporation Limited

AUDITORS

PricewaterhouseCoopers

COMPLIANCE ADVISER

DBS Asia Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 705

Grand Cayman KY1-1107

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-16, 17/F

Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

REGISTERED OFFICE

P.O. Box 309GT

Ugland House

South Church Street

George Town, Grand Cayman

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat F, 6/F, Mai Kei Industrial Building

No. 5, San Hop Lane, Tuen Mun

New Territories

Hong Kong

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

Bainikeng, Pinghu, Longgang

Shenzhen, PRC

WEBSITE

www.mingfaigroup.com

STOCK CODE

3828

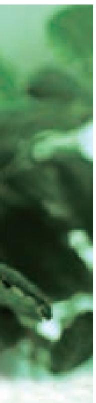
Chairman's Statement

The year 2008 is the first full financial year of Ming Fai International Holdings Limited (the" Company") following its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). I am pleased to present the annual report of the Company and its subsidiaries (collectively, referred to as the "Group") for the year ended 31 December 2008.

REVIEW

The recent financial tsunami has truly taken the world by storm, dragging global financial and credit markets into a downward spiral. Amid the turmoil of 2008, the Group announced solid full year results, with a profit attributable to shareholders of HK$100.9 million. This reflects the high quality and effort of the Group's management and its leading market positions with attractive long-term growth prospects. The board (the "Board") of directors (the "Directors") has recommended the payment of a final dividend of HK$0.084 per share for 2008, aggregating HK$50,400,000, and representing a dividend payout ratio of 50%. The proposed dividend for the year is subject to approval at the forthcoming annual general meeting on 5 May 2009.

The Group continues focusing on risk management and corporate governance with a view to ensure the sustainability growth and interests of all stakeholders are respected. In 2008, the Group has been devoted to building a prominent structure of corporate governance through the promotion of professionalism and diversification of the composition of the Board and management by establishing investment committee, executive committee and various sub-committees.



Since its listing, the Group keeps on mastery its good relationship with its shareholders and investors through various means of communication aiming to maintain a high degree of transparency and quality management in corporate governance disclosure.

To strengthen its foundation for the future development and maintain leading market position in the hotel and travel amenity segment, the Group places emphasis on reinforcing its inner strength and competitive edge through continuing to extend its sales network and coverage by focusing on target hotel groups, put enhanced efforts on innovations and upgrading of its production facilities, and planned opening of new sales office in China and the emerging markets.

OUTLOOK

While the full effects of the slowdown of the global economy remain uncertain, the Group remains cautiously optimistic about prospects for continued growth. Against such unprecedented turbulence in the global financial markets, the Group will continue to adjust its policies and strategies to respond to any changes timely. With strong financial positions and capital strength, the Group is in an even better position to weather the current financial crisis and to take advantage of the market recovery that will arrive afterwards.

APPRECIATION

In this extremely financial turbulence, I am proud to have intelligent, creative, dedicated and loyal employees, the Group's most valuable asset. I wish to take this opportunity to thank my fellow directors, management, all staff as well as customers for their continued support and commitment.

CHING Chi Fai

Chairman

HONG KONG, 12 March 2009

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 31 December 2008, the Group recorded a consolidated revenue of HK$876.0 million (2007: HK$846.0 million), representing an increase of approximately 3.5% over the last year. Profit attributable to equity holders of the Company was HK$100.9 million for the year ended 31 December 2008, a decrease of 19.9%, compared with HK$125.9 million for the year ended 31 December 2007.

Basic earnings per share was HK17 cents (2007: HK27 cents).

The consolidated net asset value increased to HK$760.9 million as at 31 December 2008 from HK$706.2 million as at 31 December 2007.

The Board has resolved to propose a final dividend of HK$0.084 per share for the year ended 31 December 2008 (2007: HK$0.084 per share).

Set out below are the consolidated financial highlights of the Group for the year ended 31 December 2008:

	2008 ***HK$ million***	2007 *HK$ million*
Revenue	**876.0**	846.0
Gross profit	**232.5**	258.4
Profit attributable to equity holders of the Company	**100.9**	125.9
Net asset value	**760.9**	706.2
Basic earnings per share (weighted average number of 600 million (2007: 475 million) ordinary shares in issue) (HK$)	**0.17**	0.27

BUSINESS REVIEW

At the time of announcement of results for year 2007, the Chairman mentioned that 2008 would be a year of challenges. The unprecedented turbulence in the global financial market continues to present enormous challenges to the Group, as the weak economic environment hampers various business activities throughout the world.

In the context of this extremely difficult external environment, the Group sustained its core business growth during 2008. The Group posted a 3.5% growth in revenue as compared with 2007. Strong revenue growth in Asia, particularly China and Asia Pacific region, was partly offset by reduced sales in Europe.

Profit attributable to equity holders of the Company fell to HK$100.9 million from HK$125.9 million in 2007. Certainly cost pressures increased during the first nine months of 2008 due to rising raw material prices coupled with moderate increase in labor and other administrative costs, had eroded the profit margin. To mitigate some of the pressure on the profit margin, the Group has taken measures to tighten cost control, focusing on stock management with an aim to maintain an inventory level in line with the latest market conditions, and carefully review every aspect of its operation to further enhance efficiency.

On a reported basis, earnings per share for 2008 was HK$0.17. A final dividend of HK$0.084 per share is proposed. The payout ratio is 50%, represents an increase of 10% compared with 2007. The proposed dividend reflects the Group's long-term confidence in its business.

In view of the dramatic change in the business environment, the Group is responding to the increasing economic uncertainty by considering carefully how it deploys its balance sheet and capital strength. The Group's financial position is strong and well capitalised, which is supported by cash balances and total equity of HK$482.7 million and HK$760.9 million, respectively as at 31 December 2008.

Under this challenging time, the Group believes it is opportune time for it to implement improvements to equip and optimise its operations for future development. During the reporting period, the Group adopted prudent and pragmatic strategies to reinforce development of its core businesses while consistently expanded its product range and upgrade product quality. The Group rearranged and appropriated production capacities flexibly in accordance with changes in the market in order to continue benefits of economy of scale. At the same time, the Group signed an agreement with a consultant aiming to upgrade its management information system through the application of the SAP All-in-One Software.

In 2008, the Group has continued to focus its attention on expanding the customer bases both in China and oversea markets that are fundamental to its long-term growth. Various clients and hotel groups including but not limited to Super 8 Hotels (China) Company Limited, Ascott International Management, Millennium Hotels and Copthorne Hotels as well as other two reputable international hotel groups are added to the Group's customer list. These new clients have stronger presence in China, Europe, North and Central America, Africa, Middle East and Asia Pacific. In addition to extend the current contracts with a couple of major airline customers, the Group also secured new airline contracts through its distributor customers in United States, Europe and Asia Pacific region. With these clients, the Group has strengthened further its leading market position and expanded its coverage.

The Group continues to make progress in develop its core business. A new marketing department has been established to develop the Group's own brands, new product formulations and designs, as well as diversify its customer base. To increase its sales network in China, the Group acquired various properties in Chongqing, Wuhan and Dalian at an aggregate consideration of RMB5.4 million (approximately HK$6.1 million). In addition, the Group also makes a progress to develop its business in Australia through the establishment of a new subsidiary in Sydney.

While the growth picture remains uncertain and dismal, opportunities still exist. The Group sees the current market condition as an opportunity to seek higher market share and diversify its business as weaker competitors exit the market and those potential competitors are constrained by lack of capital and funding. In February 2009, the Group entered into a joint venture agreement with two independent third parties under which a joint venture will be formed to supply towels and other linens to the Group's customers. In this context, the Group's primary focus will be on strengthening and expanding its core businesses through deepening relationships with existing clients and taking market share from competitors.

PROSPECTS

The unprecedented global financial turmoil, coupled with sharp downturns of major economies, the current recession is arguably one of the biggest crises since the 1930's Great Depression. The market consensus is that the current recession may last towards the end of 2009, or 2010. Despite a drastic weakness in global economic activities, certain stimulus plans that have been taken by the governments of the world's major economies may help to bring about a market rally. The Group believes this crisis, together with its adversely effects, will eventually subside.

Going forward, the Group's priorities are to align its strategic drivers with its core values, leveraging its synergies and competitive advantages, and creating a growth platform that will enhance its leading market position. The Group's on-going agenda is to achieve sustainable growth and deliver solid long-term returns. With superior financial positions, the Group will capture the opportunities to grow through targeted acquisitions by taking advantage of attractive valuations.

The Group remains confident that it is well-placed in the hotel and travel amenity segment and that its financial strength leads to opportunity. With demonstrable balance sheet and capital strength, the Group has the ability to deal with the impact of an uncertain economic environment and weather the current crisis, as well as well-positioned to benefit when economic conditions improve.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's cash and cash equivalents totalled HK$482.7 million (2007: HK$535.0 million). As at 31 December 2007, the Group had outstanding borrowings drawn in RMB with carrying amount of HK$20.4 million, which were fully repaid by the Group during the year ended 31 December 2008. Net United States Dollar ("US$") denominated loans increased by approximately HK$31.6 million over the year to HK$63.5 million. These loans carry fixed interest rates which are secured by restricted cash and repayable within one year. Details of the borrowings are set out in note 19 to the consolidated financial statements.

The gearing ratio at 31 December 2008, calculated on the basis of borrowings over total equity, is 8.3% as compared to 7.4% at 31 December 2007.

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

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

CHARGES ON GROUP ASSETS

As at 31 December 2008, restricted cash held by the Group was pledged as security for US$ denominated loans drawn from a commercial bank in the PRC.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2008, the capital commitment of the Group was HK$4.1 million (2007: HK$1.8 million). As at 31 December 2008, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2008, the total number of employees of the Group was approximately 4,100. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs 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 asset and believes effective employee engagement is an integral part of business success. In this context, effective communication with staff at all levels is highly valued with the ultimate goal to enhance the efficiency in providing quality service to the customers. The Group also has Commendation Annual Award Scheme to motivate its employees and recognize their outstanding performance. In 2008, 10 employees who had provided outstanding service were awarded the Chairman's Commendation Letter in recognition of their exemplary performance. The presentation ceremony was held in January 2009.

CORPORATE SOCIAL RESPONSIBILITIES

The Group is committed to the principle of sustainable development. The Group sets environmental policies and implement internationally certified environmental management systems such as ISO 14001:2004. Shortly after the Sichuan quake, the Group and its employees raised HK$800,000 for the Hong Kong Red Cross. Corporate Social Responsibilities ("CSR") is not just about philanthropy. It is about the Group's 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 has become an integral part of the Group's business planning and daily operations.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHING Chi Fai, aged 47, is an executive Director and chairman of the Company. Mr. CHING has been responsible for sales and marketing, production of our products and the formulation of the overall corporate direction and business strategies of our Group. Mr. Ching has over 20 years of experience in the amenity industry. Mr. CHING Chi Keung is the brother of Mr. CHING Chi Fai. Mr. CHING Chau Chung is not related to Mr. Ching Chi Fai.

Mr. CHING Chau Chung, aged 49, is an executive Director. Mr. Ching is mainly responsible for general operational management of our Group. Mr. Ching has over 20 years of experience in the amenity industry. Mr. CHING Chau Chung is not related to Mr. CHING Chi Fai or Mr. CHING Chi Keung.

Mr. CHING Chi Keung, aged 44, is an executive Director. Mr. Ching has been responsible for human resources and administrative matters. Mr. Ching joined our Group with Mr. CHING Chi Fai and Mr. CHING Chau Chung and has over 20 years of experience in the amenity industry. Mr. CHING Chi Fai is the brother of Mr. CHING Chi Keung. Mr. CHING Chau Chung is not related to Mr. CHING Chi Keung.

Mr. LIU Zigang, aged 44, is an executive Director. Mr. Liu has been responsible for sales and marketing since he joined our Group in May 1995. He oversees direct sales in the Greater China Region as well as the Southeast Asia markets. Mr. Liu has over 13 years of experience in the amenity industry. Mr. Liu holds a diploma from Shenzhen University.

Mr. LEE King Hay, aged 54, is an executive Director. Mr. Lee is responsible for overseeing manufacturing, logistics, laboratory and quality control. Mr. Lee first joined our Group in 1994 and left in 1996 for personal reasons. Subsequently in October 1999, he rejoined our Group as production director overseeing manufacturing. Mr. Lee has over 11 years of experience in the amenity industry. 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 41, is an executive Director. Ms. Chan has been responsible for sales and marketing since she joined our Group in 1995. She oversees export sales to overseas markets. Ms. Chan has over 20 years of experience in the amenity industry. Prior to joining our Group, she worked in several companies engaged in amenity business.

NON-EXECUTIVE DIRECTOR

Mr. NG Bo Kwong, aged 53, is a non-executive Director. Mr. Ng joined our Group as a management consultant in November 2000 and has over 20 years of management experience in different industries (including the amenity industry). Mr. Ng is the honorary chairman of the Chinese Enterprises Competitiveness Advancement Association (中國企業競爭力促進會) and a member of the Hong Kong Management Association (香港管理專業協會). He had assisted a number of medium to large sized enterprises in formulating company development strategies and establishing management systems in the areas of sales and marketing, human resources and production management. Mr. Ng is also a guest lecturer of MBA programs and senior executive development programs of several universities. He had been a director for a number of non-listed companies and is currently a director of Advance Management Consultants Limited (艾雲斯管理顧問有限公司). He received a Master of Business Administration from the University of East Asia Macau and completed the fundamental course work of the Doctor of Business Administration from Murdoch University. He also holds a Diploma in Management Studies awarded jointly by The Hong Kong Polytechnic University and Hong Kong Management Association. Since Mr. Ng was not and is not expected to be involved in our day-to-day operations, he was appointed as a non-executive Director on 9 July 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SUN Kai Lit Cliff *BBS, JP*, aged 55, is an independent non-executive Director ("INED"). Mr. Sun is an Associate of the Institute of Industrial Engineers of Ohio and has 29 years of experience in the household products manufacturing industry. Mr. Sun joined Kinox Enterprises Limited ("**Kinox**") in 1978, which is an renowned household products company in cookware, beverage servers, barbeque grills and chafing dishes. Mr. Sun is an executive director of Kinox and has been involved in various aspects of the operations and management of Kinox. Mr. Sun was appointed the Justice of the Peace in 2003 and was awarded the Bronze Bauhinia Star by the Hong Kong Government in 2006. Mr. Sun currently serves on the board of directors as an independent non-executive director of Ka Shui International Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. HUNG Kam Hung Allan, aged 54, is an INED. Mr. Hung has over 20 years of senior management experience in managing hotel operations and hotel investments. He was a deputy managing director of Top Glory International Holdings Limited ("**Top Glory**"), a former Hong Kong listed company which was privatised in August 2003, in 1992 and acted as its executive director from July 1997 to January 2001. During the period with Top Glory, Mr. Hung assisted Top Glory to develop and manage hotels/resorts. He resigned from such positions due to the restructuring of Top Glory (by its holding company). In 2005, Mr. Hung started a hotel development consultancy service to work with various hotel developers and prestigious hotel chains on design and project management.

Mr. MA Chun Fung Horace, aged 38, is an INED. Mr. Ma specialises in internal audit and business risk consulting. Mr. Ma was a director and head of the Hong Kong operations of an international independent risk consulting firm from March 2004 to March 2007. The said firm provides business consultation services in numerous fields including business operations and management, information technology, financial management and internal auditing and risk consulting and investigative services. Mr. Ma is a Certified Public Accountant (Practicing) registered with the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants (ACCA), a Certified Internal Auditor registered with the Institute of Internal Auditors and holder of Certification of Control Self-Assessment of the Institute of Internal Auditors. Mr. Ma also holds various degrees including Master of Science and Bachelor of Business Administration conferred by The Chinese University of Hong Kong and Bachelor of Laws conferred by the University of London. Mr. Ma is currently a committee member of ACCA Hong Kong and is co-chairing the Professional Development Sub-committee of ACCA HK. Mr. Ma is also an independent non-executive director of Universe International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. CHIU Yu To Alan, aged 42, is our chief financial officer and company secretary. Mr. Chiu is responsible for finance, accounting and company secretarial matters. Mr. Chiu joined our group in February 2008. Mr. Chiu graduated from the University of Southern Queensland in Australia with a bachelor degree in commerce. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1994, a fellow of the Association of Chartered Certified Accountants since November 1998, and a member of CPA Australia since October 2001. Prior to joining our Company, Mr. Chiu served as a chief financial officer and qualified accountant of a company, the shares of which are listed on the Main Board of the Stock Exchange.

Ms. LAI Suet Fung Rachel, aged 39, is our marketing director of Development and Promotions responsible for the Group's marketing and product strategy which refines and establishes a portfolio of proprietary and private label brands amenity for hotel customers. Ms. Lai joined the Group in April 2008. Prior to joining our Group, she was a general manager of a UK listed company's subsidiary specialised in premium and promotional, health and beauty products and directly responsible for the operation and purchasing matters from Far East and Greater China for more than 14 years. Ms. Lai graduated from the Curtin University of Technology Australia with a Bachelor Degree of Commerce (Management and Marketing).

Directors' Report

The Directors of Ming Fai International Holdings Limited are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the supply and manufacture of quality amenity products and accessories to internationally recognized or branded operators. The Company acts as an investment holding company. Details of the principal activities of each subsidiary of the Group are set forth in note 16 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2008 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 35 to 93 of this annual report.

The Directors recommend the payment of a final dividend of HK$0.084 per share of the Company (the "**Share**") for the year ended 31 December 2008. Subject to the approval of the Directors' recommendation by the shareholders at the annual general meeting of the Company to be held on 5 May 2009 (the "**AGM**"), the final dividend will be paid on or about 15 May 2009 to shareholders whose name appear on the register of shareholders of the Company as at the close of business on 27 April 2009. The total amount of such dividend is HK$50,400,000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 April 2009 to Monday, 4 May 2009 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the AGM to be held on Tuesday, 5 May 2009, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 27 April 2009.

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 94.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 18 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2008 are set out in the consolidated statement of changes in equity on page 39 and note 17(c) to the consolidated financial statements, respectively.

As at 31 December 2008, distributable reserves of the Company amounted to approximately HK$641.2 million.

SUBSIDIARIES

Particulars of the Group's principal subsidiaries are set out in note 16 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, 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 2008 are set out in note 19 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors, their spouse or children under the age of 18 were granted any right to subscribe for the securities of the Company or had exercised any such right during the year.

DIRECTORS

The Directors during the year were as follows:

Executive Directors

Mr. CHING Chi Fai *(Chairman)*

Mr. CHING Chau Chung

Mr. CHING Chi Keung

Mr. LIU Zigang

Mr. LEE King Hay

Ms. CHAN Yim Ching

Non-executive Directors

Mr. NG Bo Kwong

Ms. CHAN Wing *(re-designated from executive Director to non-executive Director on 4 March 2008 and retired on 21 September 2008)*

Independent Non-executive Directors

Mr. SUN Kai Lit Cliff *BBS, JP*

Mr. HUNG Kam Hung Allan

Mr. MA Chun Fung Horace

In accordance with article 130 of the Company's Articles of Association, Mr. CHING Chi Fai, Mr. CHING Chau Chung, Mr. CHING Chi Keung and Mr. LIU Zigang will retire at the AGM and, being eligible, shall offer themselves for re-election.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

The biographical details of the Directors and the senior management are set out on pages 11 to 12.

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 Chau Chung, 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 2007 with the Company under which they agreed to act as executive Directors, for a period of three years commencing from 2 November 2007 unless terminated in accordance with the terms of the service contracts.

Mr. NG Bo Kwong has signed a letter of appointment with the Company under which he agreed to act as non-executive Director for a period of one year commencing from 21 September 2008 unless terminated in accordance with the terms of appointment letter.

Ms. CHAN Wing has signed a letter of appointment dated 3 March 2008 with the Company under which she agreed to act as non-executive Director from 4 March 2008 to 20 September 2008. Ms. Chan retired from the office of non-executive directorship effective from 21 September 2008.

Each of Mr. MA Chun Fung Horace, Mr. SUN Kai Lit Cliff and Mr. HUNG Kam Hung Allan has signed a letter of appointment dated 18 September 2008 with the Company under which they agreed to act as independent non-executive Directors for a period of one year commencing from 21 September 2008 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 25 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

For the financial year ended 31 December 2008, the total amount of annual consideration paid by the Group to each of Ming Fai Plastic Industrial Company, Liu Zigang and Advance Management Consultants Limited, either a connected person or an associate of a connected person under Chapter 14A of the Listing Rules, being less than HK$1 million where each of the percentage ratios (other than the profits ratio) is on an annual basis less than 0.1% or if more than 0.1% but less than 2.5%. Accordingly, each of the following continuing connected transactions of the Group constitutes an exempted continuing connected transaction for the Company under rule 14A.33(3) of the Listing Rules and are exempted from the reporting, announcement and independent shareholders' approval requirements set forth under Chapter 14A of the Listing Rules.

(1) Lease of Property by Ming Fai Plastic Industrial Company To Ming Fai Enterprise (Shenzhen) Company Limited

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

Ming Fai Enterprise (Shenzhen) Company Limited ("Ming Fai Shenzhen"), a limited liability company incorporated in the PRC on 7 September 1992, is an indirect wholly–owned subsidiary of the Company.

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

Ming Fai Shenzhen and Ming Fai Plastic Industrial Company entered into two lease agreements in this respect:

(i) an agreement dated 12 June 2007 under which Ming Fai Shenzhen leases the parcel of land of 4,400.0 sq.m. together with a workshop building of 2,277.0 sq.m., the electricity transformer room (配電房) and office premises of 99.0 sq.m. constructed thereon from Ming Fai Plastic Industrial Company. for a term of 20 years commencing from 10 January 1993 ending 9 January 2013. The total rental for the term is RMB2,234,320 and shall be paid in three installments. According to the lease agreement, the first installment of RMB350,000 shall be paid before 25 January 1993; the second installment of RMB500,000 shall be paid before 18 April 1993 and the remaining portion shall be paid before 18 July 1993. Vigers Appraisal and Consulting Limited, an independent valuer, has confirmed that the terms of the lease agreement are fair and reasonable and the rent reflects prevailing market conditions as at the commencement date of the term. The lease is terminable by Ming Fai Plastic Industrial Company by six months' written notice. If the lease agreement is terminated prior to the end of the term, Ming Fai Plastic Industrial Company will refund the rent paid for the unleased part of the term. The rent paid by Ming Fai Shenzhen during the year ended 31 December 2008 was nil;

(ii) a lease agreement dated 14 June 2007 in relation to the two workshops of 8,686.2 sq.m. for a term of 2 years commencing from 1 January 2007 ending 31 December 2008. The monthly rental is RMB60,803 and payable monthly. Vigers Appraisal and Consulting Limited, an independent valuer, has confirmed that the terms of the lease agreement are fair and reasonable and the rent reflects prevailing market conditions as at the commencement date of the term. The lease is terminable by Ming Fai Plastic Industrial Company by six months' written notice. The rent paid by Ming Fai Shenzhen for the year ended 31 December 2008 was approximately HK$820,164.

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

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

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

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

The rent paid by Ming Fai Shenzhen for the year ended 31 December 2008 was approximately HK$148,378.

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

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

Advance Management provides management consultancy services to Ming Fai Asia Pacific during the year ended 31 December 2008. They have entered into the following agreements:

(a) an agreement dated 16 January 2008 whereby Advance Management provides consultancy services to Ming Fai Asia Pacific in relation to corporate development strategy from January 2008 to the end of December 2008. The consultancy fee is HK$200,000 and shall be paid in three installments;

(b) an agreement dated 16 January 2008 whereby Advance Management provides Ming Fai Asia Pacific consultancy services in relation to improvement of factory production efficiency for a period of 12 months commencing from February 2008. The consultancy fee is HK$250,000 and shall be paid in two installments;

(c) an agreement dated 27 June 2008 whereby Advance Management provides Ming Fai Asia Pacific consultancy services in relation to strengthening training system and enhancement of training effectiveness for a period of 12 months commencing from June 2008. The consultancy fee is HK$180,000 and shall be paid in three installments.

The total consultancy fees paid by Ming Fai Asia Pacific to Advance Management in relation to the abovementioned three agreements for the year ended 31 December 2008 was HK$383,000.

Save as disclosed above, no continuing connected transaction or connected transaction has been conducted during the year ended 31 December 2008.

The independent non-executive Directors have reviewed the continuing connected transactions and confirmed that they have been entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) on normal commercial terms or on terms no less favourable to the Company than terms available to/from (as appropriate) independent third parties; and

(iii) in accordance with the terms of the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section above with heading, "Continuing Connected Transactions and Connected Transactions" set out on pages 16 to 19 of this report, 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 2008, 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	Number of Shares	Approximate percentage of shareholding of the Company
Ching Chi Fai	Corporate *(Note 1)*	183,666,600	30.61%
	Personal	2,042,000	0.34%
Ching Chau Chung	Corporate *(Note 2)*	170,976,600	28.50%
Ching Chi Keung	Corporate *(Note 3)*	44,499,600	7.42%
Chan Yim Ching	Corporate *(Note 3)*	44,499,600	7.42%
Liu Zigang	Corporate *(Note 4)*	23,857,200	3.98%

Notes:

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

2. These Shares are owned by Pacific Plus Limited ("Pacific Plus"), which is wholly-owned by Mr. Ching Chau Chung.

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

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

Save as disclosed above, as at 31 December 2008, 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 2008, 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 the issued share capital of the Company
Prosper Well International Limited	Beneficial owner	183,666,600 *(Note 1)*	30.61%
Ms. Lo Kit Ling	Family interest	185,708,600 *(Note 1)*	30.95%
Pacific Plus Limited	Beneficial owner	170,976,600 *(Note 2)*	28.50%
Ms. Wong Sei Hang	Family Interest	170,976,600 *(Note 2)*	28.50%
Targetwise Trading Limited	Beneficial owner	44,499,600 *(Note 3)*	7.42%
Ms. Po Fung Kiu	Family interest	44,499,600 *(Note 4)*	7.42%
Mr. Lee King Keung	Family Interest	44,499,600 *(Note 5)*	7.42%

Notes:

1. 183,666,600 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 2,042,000 Shares. Ms. Lo Kit Ling, being Mr. Ching Chi Fai's spouse, was deemed to be interested in the 185,708,600 Shares in which Mr. Ching Chi Fai had interests by virtue of Part XV of the SFO.

2. These 170,976,600 Shares were owned by Pacific Plus Limited, which is wholly-owned by Mr. Ching Chau Chung (an executive Director). Ms. Wong Sei Hang, being Mr. Ching Chau Chung's spouse, was deemed to be interested in the 170,976,600 Shares in which Ching Chau Chung had interests by virtue of Part XV of the SFO.

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

4. Ms. Po Fung Kiu, being Mr. Ching Chi Keung's spouse, was deemed to be interested in the 44,499,600 Shares in which Mr. Ching Chi Keung had interests by virtue of Part XV of the SFO.

5. Mr. Lee King Keung, being Ms. Chan Yim Ching's spouse, was deemed to be interested in the 44,499,600 Shares in which Ms. Chan Yim Ching had interests by virtue of Part XV of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

REMUNERATION POLICY

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

SHARE OPTION SCHEME

The following is a summary of the principal terms of the rules of the share option scheme conditionally approved and adopted by the Company on 5 October 2007 (the "**Share Option Scheme**"). The Share Option Scheme has become unconditional upon the commencement of the trading of the Shares on the Stock Exchange.

(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) Maximum number of Shares

(a) Subject to sub-paragraph (b) and (d) below, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue on 2 November 2007, i.e., 60,000,000 Shares (the "**Scheme Limit**").

Options lapsed in accordance with the Share Option Scheme will not be counted for the purpose of the Scheme Limit.

(b) The Scheme Limit may be refreshed at any time by obtaining approval of the shareholders of the Company (the "**Shareholders**") in general meeting provided that the refreshed limit must not exceed 10% of the Shares in issue at the date of the Shareholders' approval of such limit. Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company or those exercised) will not be counted for the purpose of calculating the refreshed limit.

(c) The Company may also, by obtaining separate approval of the Shareholders in general meeting, grant options beyond the Scheme Limit provided the options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought. The Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

(d) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

(5) 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.

(6) 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 unless terminated earlier by Shareholders in general meeting.

(7) Termination to the Share Option Scheme

The Company may, with the approval in general meeting of the Shareholders, terminate the Share Option Scheme at any time following which no further grant of options shall be offered but in all other respects the rules of the Share Option Scheme shall continue in full force and effect. Any options granted and accepted prior to such termination, shall continue to be valid and exercisable in accordance with the rules of the Share Option Scheme.

(8) Present status of the Share Option Scheme

As at the date of this report, no option has been granted or agreed to be granted under the Share Option Scheme.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of sales and purchases for the year ended 31 December 2008 attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	10.7%
– five largest customers combined	29.9%
Purchases	
– the largest supplier	8.2%
– five largest suppliers combined	24.5%

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 26 to 32 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$637,000.

AUDIT COMMITTEE

In compliance with rule 3.21 of the Listing Rules the Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The members of the audit committee are Mr. Ma Chun Fung Horace, Mr. Sun Kai Lit Cliff, Mr. Hung Kam Hung Allan (who are all independent non-executive Directors) and Mr. Ng Bo Kwong (a non-executive Director). Mr. Ma Chun Fung Horace is the chairman of the audit committee. The annual results for the year have been reviewed by the Audit Committee on 12 March 2009.

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, 12 March 2009

Corporate Governance Report

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices. The corporate governance principles of the Company emphasize accountability and transparency and are adopted in the best interest of the Company and its shareholders. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and to fulfill its commitment to excellence in corporate governance.

The Group has complied with the applicable code provisions set out in the Code of Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2008, except for the following deviation:

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

BOARD OF DIRECTORS

The Board currently consists of ten Directors, of whom six are executive Directors, one is a non-executive Director and three are independent non-executive Directors. 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 Director and independent non-executive Directors) have been consulted on all major and material matters of the Group.

The role of the Board includes 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 and the Remuneration Committee meetings during the year ended 31 December 2008 are as follows:

	No. of meetings attended/held		
	Regular Full Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Executive Directors			
Mr. CHING Chi Fai *(Chairman)*	5/5	1/3	1/1
Mr. CHING Chau Chung	5/5	1/3	–
Mr. CHING Chi Keung	5/5	1/3	–
Mr. LIU Zigang	5/5	1/3	–
Mr. LEE King Hay	5/5	1/3	–
Ms. CHAN Yim Ching	5/5	–	–

	No. of meetings attended/held		
	Regular Full Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Non-executive Directors			
Mr. NG Bo Kwong	5/5	3/3	1/1
Ms. CHAN Wing *(re-designated from executive Director to non-executive Director on 4 March 2008 and retired on 21 September 2008)*	4/5	1/3	1/1
Independent non-executive Directors			
Mr. SUN Kai Lit Cliff	5/5	3/3	1/1
Mr. HUNG Kam Hung Allan	5/5	3/3	1/1
Mr. MA Chun Fung Horace	5/5	3/3	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 2008 unless terminated in accordance with the terms of the appointment letters. All the appointments of non-executive Director 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 2008, five 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.

NOMINATION OF DIRECTORS

In view of the size of the Company, no nomination committee has been established by the Board. Nevertheless, the Board itself discharges all duties expected to be dealt with by a nomination committee.

To ensure that there is a formal, considered and transparent process for the appointment of new Directors to the Board, the following nomination procedures have been adopted which would normally be followed when a need is identified for the appointment of a new Director:

- to compile a list of potential candidates;
- to evaluate potential candidates in the context of the current composition of the Board, the current needs of the Board and the long-term interests of Shareholders;
- to select and recommend one or more candidates following the initial evaluation for interview by at least two members of the Board, normally including the Chairman of the Board (subsequent interview may also be arranged with the other members of the Board, if appropriate);
- to recommend the best available candidate for consideration by the whole Board.

During the year, the Board did not consider there was a need to appoint a new Director after having reviewed the composition and effectiveness of the Board. No new members have been appointed to the Board during the year.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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 2008.

AUDIT COMMITTEE

An Audit Committee has been established by the Board with written terms of reference in compliance with the Code. 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.

During the year ended 31 December 2008 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

A remuneration committee (the "**Remuneration Committee**") has been established by the Board with written terms of reference in compliance with the Code. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The members of the remuneration committee are Mr. CHING Chi Fai (an executive Director), Mr. MA Chun Fung Horace (an independent non-executive Director), Mr. SUN Kai Lit Cliff (an independent non-executive Director), Mr. HUNG Kam Hung Allan (an independent non-executive Director) and Mr. NG Bo Kwong (a non-executive Director). Mr. CHING Chi Fai is the chairman of the Remuneration Committee.

The 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

An executive committee (the "**Executive Committee**") has been established by the Board from 1 May 2008. Other than the matters reserved for the Board, the Executive Committee has been delegated with the general powers to deal with the daily operations and management of the Company, including but not limited to opening bank accounts, arranging banking facilities, affixing the Common Seal, issue of shares upon exercise of any subscription or conversion rights under any share option scheme, warrants or convertible notes and promoting new companies.

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

Eight meetings were held by the Executive Committee during the year ended 31 December 2008.

INVESTMENT COMMITTEE

An investment committee (the "**Investment Committee**") has been established by the Board from 1 May 2008. The Investment Committee has been delegated by the Board to deal with investments and divestments of the Group which are less than US$20 million or 5% of the total market capitalisation of the Company in aggregate, whichever is lower. Each investment shall not exceed 10% of the aforesaid aggregate amount.

The members of the Investment Committee are Mr. CHING Chi Fai (an executive Director), Mr. CHING Chau Chung (an executive Director), Mr. MA Chun Fung Horace (an independent non-executive Director) and Mr. CHIU Yu To Alan. Mr. CHING Chi Fai is the chairman of the Investment Committee.

In the absence of any strategic transaction, no meeting was held by the Investment Committee during the year ended 31 December 2008.

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 2008, 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 annual general meeting of the Company to discuss the businesses of the Group.

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 2008, 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 33 to 34 of this annual report.

AUDITOR'S REMUNERATION

The external auditor of the Company is PricewaterhouseCoopers. For the year ended 31 December 2008, the remuneration paid by the Company to the external auditor for the performance of audit services was HK$2,000,000.

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

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

On behalf of the Board

CHING Chi Fai

Chairman

HONG KONG, 12 March 2009

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 35 to 93, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 2008 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, 12 March 2009

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	**15,245**	13,568
Property, plant and equipment	7	**134,850**	126,798
Intangible assets	8	**523**	627
Investment in an associated company	9(a)	**278**	155
Deferred income tax assets	10	**6,214**	5,276
Total non-current assets		**157,110**	146,424
Current assets			
Inventories	11	**84,795**	54,379
Trade and bills receivables	12	**181,602**	162,059
Amount due from an associated company	9(b)	**1,037**	346
Prepaid tax		**6,666**	–
Deposits, prepayments and other receivables	13	**31,360**	18,553
Restricted cash	14	**65,888**	32,526
Cash and cash equivalents	15	**482,704**	535,024
Total current assets		**854,052**	802,887
Total assets		**1,011,162**	949,311
EQUITY			
Capital and reserve attributable to the equity holders of the Company			
Share capital	18	**6,000**	6,000
Share premium	18(e)	**408,242**	408,242
Reserves	17(a), (b)	**296,292**	241,524
Proposed final dividend	30	**50,400**	50,400
		760,934	706,166
Minority interest in equity		**–**	–
Total equity		**760,934**	706,166
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	10	**343**	322
Total non-current liabilities		**343**	322

Consolidated Balance Sheet *(Continued)*

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Current liabilities			
Trade payables	*20*	**82,968**	93,772
Loan from a minority shareholder	*21*	**495**	–
Accruals and other payables		**95,667**	74,802
Current income tax liabilities		**7,022**	22,057
Borrowings	*19*	**63,460**	52,192
Derivative financial instruments	*19*	**273**	–
Total current liabilities		**249,885**	242,823
Total liabilities		**250,228**	243,145
Total equity and liabilities		**1,011,162**	949,311
Net current assets		**604,167**	560,064
Total assets less current liabilities		**761,277**	706,488

CHING Chi Fai
Director

CHING Chau Chung
Director

The notes on pages 41 to 93 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary company	16	**228,647**	228,647
Total non-current asset		**228,647**	228,647
Current assets			
Deposits, prepayments and other receivables	13	**1,163**	876
Cash and cash equivalents	15	**417,698**	417,762
Total current assets		**418,861**	418,638
Total assets		**647,508**	647,285
EQUITY			
Capital and reserve attributable to the equity holders of the Company			
Share capital	17(c), 18	**6,000**	6,000
Share premium	17(c), 18(e)	**408,242**	408,242
Reserves	17(c)	**182,565**	177,160
Proposed final dividend	30	**50,400**	50,400
Total equity		**647,207**	641,802
LIABILITIES			
Current liabilities			
Accruals and other payables		**301**	5,473
Amounts due to subsidiaries	16	**–**	10
Total current liabilities		**301**	5,483
Total liabilities		**301**	5,483
Total equity and liabilities		**647,508**	647,285
Net current assets		**418,560**	413,155
Total assets less current liabilities		**647,207**	641,802

CHING Chi Fai
Director

CHING Chau Chung
Director

The notes on pages 41 to 93 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	5	**876,044**	846,017
Cost of sales	22	**(643,528)**	(587,589)
Gross profit		**232,516**	258,428
Distribution costs	22	**(67,855)**	(58,965)
Administrative expenses	22	**(51,447)**	(47,827)
Other income	23	**13,130**	6,092
Operating profit		**126,344**	157,728
Finance costs	26	**(4,950)**	(1,721)
Share of profit of an associated company	9(a)	**123**	35
Profit before income tax		**121,517**	156,042
Income tax expenses	27	**(20,673)**	(30,110)
Profit for the year		**100,844**	125,932
Attributable to:			
Equity holders of the Company		**100,870**	125,932
Minority interest		**(26)**	–
		100,844	125,932
Earnings per share attributable to equity holders of the Company (Weighted average number of 600,000,000 (2007: 474,658,000) ordinary shares in issue) (Expressed in HK$)			
– Basic	29	**0.17**	0.27
– Diluted	29	**0.17**	0.27
Dividends	30	**50,400**	50,400

The notes on pages 41 to 93 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *Note 17 (a)* *HK$'000*	Statutory reserve fund *Note 17 (b)* *HK$'000*	Exchange reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Minority interest *HK$'000*	Total *HK$'000*
Balance at 1 January 2007	4,500	–	61,500	2,101	1,699	94,756	164,556	–	164,556
Profit for the year	–	–	–	–	–	125,932	125,932	–	125,932
Currency translation differences	–	–	–	–	5,926	–	5,926	–	5,926
Total recognised income	–	–	–	–	5,926	125,932	131,858	–	131,858
Issuance of new shares of companies comprising the Group	–	–	10	–	–	–	10	–	10
Issuance of ordinary shares, net of issuing expense of approximately HK$37,258,000 *(Note 18(e))*	1,500	408,242	–	–	–	–	409,742	–	409,742
Balance at 31 December 2007	6,000	408,242	61,510	2,101	7,625	220,688	706,166	–	706,166
Balance at 1 January 2008	6,000	408,242	61,510	2,101	7,625	220,688	706,166	–	706,166
Profit/(loss) for the year	–	–	–	–	–	100,870	100,870	(26)	100,844
Currency translation differences	–	–	–	–	4,298	–	4,298	–	4,298
Total recognised income	–	–	–	–	4,298	100,870	105,168	(26)	105,142
Profit appropriation to statutory reserves	–	–	–	4,468	–	(4,468)	–	–	–
Capital injection form a minority shareholder	–	–	–	–	–	–	–	26	26
Dividends relating to 2007	–	–	–	–	–	(50,400)	(50,400)	–	(50,400)
Balance at 31 December 2008	6,000	408,242	61,510	6,569	11,923	266,690	760,934	–	760,934
Representing:									
Share capital and reserves									710,534
Proposed final dividend *(Note 30)*									50,400
Balance at 31 December 2008									760,934

The notes on pages 41 to 93 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 *HK$'000*	2007 *HK$'000*
Cash flows from operating activities			
Cash generated from operations	*31(a)*	**81,447**	195,546
Interest paid		**(922)**	(1,721)
Income tax paid		**(42,980)**	(26,726)
Net cash generated from operating activities		**37,545**	167,099
Cash flows from investing activities			
Purchase of property, plant and equipment ("PPE")		**(23,476)**	(28,296)
Purchase of leasehold land and land use rights		**(1,422)**	(5,586)
Proceeds from sales of PPE	*31(b)*	**578**	37
Set up of a subsidiary		**53**	–
Interest received		**9,222**	4,985
Net cash used in investing activities		**(15,045)**	(28,860)
Cash flows from financing activities			
Proceeds from capital injections		**–**	10
Increase in restricted cash		**(33,362)**	(16,431)
Net repayments of loans to related parties	*33(d)*	**–**	(29,324)
Net repayments of loans to shareholders	*33(d)*	**–**	(32,967)
Proceeds from borrowings	*31(c)*	**61,323**	80,223
Repayments of borrowings	*31(c)*	**(53,152)**	(38,234)
Dividends paid		**(50,400)**	(24,000)
Net proceeds from issuance of ordinary shares	*18(e)*	**–**	409,742
Capital injection from a minority shareholder		**26**	–
Proceeds from loan from a minority shareholder	*31(c)*	**625**	–
Net cash (used in)/generated from financing activities		**(74,940)**	349,019
Net (decrease)/increase in cash and cash equivalents		**(52,440)**	487,258
Cash and cash equivalents at the beginning of the year		**535,024**	42,869
Exchange gains on cash and cash equivalents		**120**	4,897
Cash and cash equivalents at the end of the year	*15*	**482,704**	535,024

The notes on pages 41 to 93 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 May 2007 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands.

Pursuant to a group reorganisation, which was completed on 5 October 2007 (the "Reorganisation"), the Company became the holding company of the subsidiaries comprising the Group. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong (the "Stock Exchange") on 2 November 2007 (the "Listing Date"). Further details on the Reorganisation are set out in the prospectus of the Company dated 22 October 2007.

The Reorganisation has been reflected in the consolidated financial statements by regarding the Group comprising the Company and its subsidiaries as a continuing entity. Accordingly, the consolidated financial statements for the year ended 31 December 2007 before the Reorganisation has been prepared using the merger basis of accounting. The consolidated results and cash flows include the results and cash flows of the subsidiaries comprising the Group as if the current group structure had been in existence throughout the periods presented or since their respective dates of incorporation or acquisition.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and sales of amenity products and accessories. 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.

These consolidated financial statements are presented in thousands of units of Hong Kong dollar (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 12 March 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention as modification before evaluation of certain financial liabilities (including derivative instruments) at fair value through profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group.

Standards, amendments and interpretations effective from 1 January 2008 adopted by the Group but have no significant impact on the Group's financial statements

HKFRS 7 and HKAS 1 Amendment	Financial Instruments: Disclosures and Presentation of Financial Statements – Capital Disclosures
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement

The following new standards, amendments and interpretations have been issued but are not yet effective for the year ended 31 December 2008 and which the Group has not early adopted:

Effective for the Group's financial statements for the year ending 31 December 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 (Amendment)	Financial instruments: Presentation and HKAS1 (Amendment) Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 (Amendment)	Share-based Payment
HKFRS 8	Operating Segments
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

Effective for the Group's financial statements for the year ending 31 December 2010

Amendments to HKFRS 1	First-time adoption of HKFRS and HKAS 27 – Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity and Associate
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Financial Instrument: Recognition and Measurement – Eligible Hedged Item
HKFRS 3 (Revised)	Business Combination
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Improvements to HKFRS – Amendments to:

Effective for the Group's financial statements for the year ending 31 December 2009

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 16	Property, Plant and Equipment
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23	Borrowing Costs
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 29	Financial Reporting in Hyperinflationary Economies
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS 41	Agriculture

Effective for the Group's financial statements for the year ending 31 December 2010

HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

Other minor amendments to

Effective for the Group's financial statements for the year ending 31 December 2009

HKFRS 7	Financial Instruments: Disclosures
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events After the Balance Sheet Date
HKAS 18	Revenue
HKAS 34	Interim Financial Reporting

The Group has already commenced an assessment of the impact of these new HKFRS but is not yet in a position to state whether these new HKFRS would have a significant impact on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) 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.

Except for the Reorganisation which has been accounted for as a combination of business under common control, the purchase method of accounting is used to account for the other acquisitions of Group. 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and the liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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

In the Company's balance sheet, the investment in a subsidiary is stated at cost less provision for impairment loss. The result of the subsidiary is accounted by the Company on the basis of dividend received and receivable.

(c) Associated company

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

The Group's share of its associated company's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

(e) 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 Dollar ("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. 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 income statement.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

– all resulting exchange differences are recognised as a separate component of equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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 income statement during the financial year in which they are incurred.

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leasehold land and land use rights

Leasehold land and land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents up-front prepayments made for the rights to use the land on which various plants and buildings are situated for periods varying from 20 to 70 years. Amortisation of leasehold land and land use rights is expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated income statement.

(h) Intangible assets

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

(i) Impairment of investment in an associated company and non-financial assets

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

(j) 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.

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.

(k) Derivatives instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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.

(m) Trade, bills and other receivables

Trade, bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade, bills and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and defaults are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the originally effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance accounts for the receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

(n) Cash and cash equivalents

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

(o) Trade payables

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

(p) 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 income statement over the period of the borrowings using the effective interest method.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Current and deferred income tax

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

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

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

(r) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits *(Continued)*

(iii) Pension obligations

The group companies in the People's Republic of China ("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.

(s) Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition

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

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

(i) Sales of goods

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

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

(ii) Interest income

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

(u) 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 income statement on a straight-line basis over the period of the lease.

(v) 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.

(w) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. This currency exposure is managed primarily through sourcing raw material denominated in the same currency.

Certain of the assets of the Group are principally denominated in United States Dollar ("US$"). HK$ is pegged to US$, and thus foreign exchange exposure is considered as minimal.

During the year ended 31 December 2008, 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$4,771,000, lower or higher (2007: HK$1,270,000, higher or lower). At 31 December 2008, if HK$ had strengthened/weakened by 5% against the RMB, equity would have been approximately HK$5,263,000 (2007: HK$3,436,000), lower or higher.

(ii) Interest rate risk

The Group has cash balances placed with reputable banks and financial institution, 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 19.

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 and loss and equity 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Interest rate risk (Continued)

Based on the simulations performed, the impact on profit or loss of a 200 basis-point shift would be a maximum increase/decrease of HK$1,294,000 (2007: HK$377,500) for the year ended 31 December 2008.

(iii) Price risk

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

(iv) Credit risk

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

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers 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 2008 and 31 December 2007.

	As at 31 December			
	2008		2007	
	Credit limit	**Utilised**	Credit limit	Utilised
Counterparty	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
A	**18,000**	**12,188**	18,000	12,947
B	**12,000**	**11,241**	9,000	7,366
C	**12,000**	**9,590**	12,000	8,879
D	**10,000**	**8,874**	10,000	6,909
E	**9,000**	**7,878**	9,000	6,851
F	**26,000**	**4,642**	26,000	24,023

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	
	2008	2007
	HK$'000	*HK$'000*
Trade and bills receivables		
Customers accepted within the past 12 months	**8,553**	4,712
Customers accepted beyond the past 12 months	**90,826**	88,584
Total	**99,379**	93,296

Bank deposits placed in the licensed banks of Hong Kong are secured by the Hong Kong Deposits Protection Board and Hong Kong SAR Government Exchange Fund.

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

	As at 31 December	
	2008	2007
	HK$'000	*HK$'000*
Cash and cash equivalents		
Cash at banks and bank deposits		
Listed financial institutions	**479,046**	534,597
Unlisted financial institutions	**2,758**	19
	481,804	534,616
Cash on hand	**900**	408
Total	**482,704**	535,024
Restricted cash		
Listed financial institution	**65,888**	32,526
Total	**65,888**	32,526

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 2008, the cash and cash equivalents of the Group approximated HK$482,704,000 (2007: HK$535,024,000).

The table below categorised the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The 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 2007					
Borrowings	52,192	–	–	–	52,192
Trade payables	93,772	–	–	–	93,772
At 31 December 2008					
Borrowings	63,460	–	–	–	63,460
Trade payables	82,968	–	–	–	82,968
Loan from a minority shareholder	495	–	–	–	495

(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 by dividing borrowings by total equity. Management considers a gearing ratio of not more than 30% as reasonable.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management *(Continued)*

	As at 31 December	
	2008	2007
	HK$'000	*HK$'000*
Borrowings	**63,460**	52,192
Total equity	**760,934**	706,166
Gearing ratio	**8.3%**	7.4%

(c) Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, restricted cash, trade and bills receivables, trade payables, amounts due to subsidiaries, amount due from an associated company, borrowings and loan from a minority shareholder approximate their fair values due to their short maturities.

The fair value of forward contracts, which are classified as derivative financial instruments, is determined using forward exchange rate at the balance sheet date.

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 discussed below.

(i) 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(ii) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of any future management determination of relocation or renovation. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down non-strategic assets that have been abandoned or sold.

(b) Critical judgements

(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$16,825,000 (2007: HK$16,934,000) as at 31 December 2008. 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 (the "Major Shareholders") 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 judgment 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Critical judgements *(Continued)*

(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 judgment 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

(a) Primary reporting format – business segments

No business segment information of the Group is presented as the Group's revenue, expenses, assets and liabilities and capital expenditures are primarily attributable to the manufacture and sales of amenity products.

(b) Secondary reporting format – geographical segments

The Group primarily operates in Hong Kong and the PRC. The Group's revenue by geographical location is determined by the place in which the customer is located.

	For the year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Revenue:		
North America	**342,964**	347,231
Europe	**159,360**	189,005
PRC	**151,584**	113,714
Hong Kong	**87,142**	98,172
Australia	**45,266**	18,640
Other Asia Pacific countries (exclude Australia)[1]	**81,671**	77,325
Others[2]	**8,057**	1,930
	876,044	846,017

Notes:

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

2. Others mainly include South Africa, Egypt, Morocco and Nigeria.

5 SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format – geographical segments *(Continued)*

Total assets are allocated based on where the assets are located.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, inventories, receivables, operating cash and restricted cash.

	As at 31 December	
	2008	2007
	HK$'000	*HK$'000*
Total assets:		
Hong Kong	**565,758**	587,255
PRC	**426,024**	347,802
Australia	**1,677**	–
Other Asia Pacific countries (exclude Australia)	**11,489**	8,978
	1,004,948	944,035
Unallocated assets	**6,214**	5,276
	1,011,162	949,311

Unallocated assets mainly comprise of deferred income tax assets.

Capital expenditure is allocated based on where the assets are located.

Capital expenditure comprises mainly additions to property, plant and equipment, leasehold land and land use rights and intangible assets.

	For the year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Capital expenditure:		
Hong Kong	**2,684**	9,355
PRC	**21,219**	24,516
Australia	**376**	–
Other Asia Pacific countries (exclude Australia)	**619**	11
	24,898	33,882

6 LEASEHOLD LAND AND LAND USE RIGHTS

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

	As at 31 December	
	2008	2007
	HK$'000	*HK$'000*
Opening net book amount	**13,568**	7,605
Additions	**1,422**	5,586
Amortisation	**(340)**	(267)
Exchange differences	**595**	644
Closing net book amount	**15,245**	13,568
In Hong Kong, held on:		
Leases of between 10 to 50 years	**3,390**	3,479
In PRC, held on:		
Leases of between 10 to 50 years	**10,362**	8,657
Leases of over 50 years	**1,493**	1,432
	15,245	13,568

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

	2008	2007
	HK$'000	*HK$'000*
Cost of sales	**53**	48
Distribution costs	**199**	167
Administrative expenses	**88**	52
	340	267

No leasehold land and land use rights were pledged as at 31 December 2008.

As at 31 December 2007, bank borrowings are secured by certain leasehold land and land use rights with an aggregate carrying value of approximately HK$2,126,000 (Note 19).

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Computer equipment	Plant and machinery	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007								
Cost	58,056	38,730	5,917	1,866	4,192	49,568	463	158,792
Accumulated depreciation	(10,871)	(11,529)	(2,857)	(1,376)	(3,224)	(20,101)	–	(49,958)
Net book amount	47,185	27,201	3,060	490	968	29,467	463	108,834
Year ended 31 December 2007								
Opening net book amount	47,185	27,201	3,060	490	968	29,467	463	108,834
Additions	5,931	3,756	1,538	1,575	1,794	11,557	2,145	28,296
Transfer upon completion	–	1,987	–	49	–	–	(2,036)	–
Disposals	–	–	(68)	–	(8)	(20)	–	(96)
Depreciation	(3,158)	(3,615)	(1,213)	(294)	(907)	(8,552)	–	(17,739)
Exchange differences	3,636	1,899	142	58	95	1,633	40	7,503
Closing net book amount	53,594	31,228	3,459	1,878	1,942	34,085	612	126,798
At 31 December 2007 and 1 January 2008								
Cost	68,572	47,291	7,638	3,649	6,186	63,349	612	197,297
Accumulated depreciation	(14,978)	(16,063)	(4,179)	(1,771)	(4,244)	(29,264)	–	(70,499)
Net book amount	53,594	31,228	3,459	1,878	1,942	34,085	612	126,798

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Computer equipment	Plant and machinery	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008								
Opening net book amount	53,594	31,228	3,459	1,878	1,942	34,085	612	126,798
Additions	2,251	64	4,510	1,092	1,076	12,221	2,262	23,476
Transfer upon completion	–	751	–	–	–	564	(1,315)	–
Disposals	–	–	–	–	–	(106)	–	(106)
Depreciation	(3,609)	(4,366)	(1,818)	(960)	(1,219)	(9,532)	–	(21,504)
Exchange differences	2,936	1,483	96	54	89	1,484	44	6,186
Closing net book amount	55,172	29,160	6,247	2,064	1,888	38,716	1,603	134,850
At 31 December 2008								
Cost	74,642	50,447	10,708	4,891	7,495	78,006	1,603	227,792
Accumulated depreciation	(19,470)	(21,287)	(4,461)	(2,827)	(5,607)	(39,290)	–	(92,942)
Net book amount	55,172	29,160	6,247	2,064	1,888	38,716	1,603	134,850

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

	2008	2007
	HK$'000	*HK$'000*
Cost of sales	**14,184**	13,140
Distribution costs	**2,801**	3,000
Administrative expenses	**4,519**	1,599
	21,504	17,739

No property, plant and equipment was secured as at 31 December 2008.

As at 31 December 2007, bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately HK$28,463,000 (Note 19).

8 INTANGIBLE ASSETS

	Trademarks	Investment in club debentures	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007			
Cost	74	968	1,042
Accumulated amortisation	(13)	(298)	(311)
Net book amount	61	670	731
Year ended 31 December 2007			
Opening net book amount	61	670	731
Amortisation	(7)	(97)	(104)
Closing net book amount	54	573	627
At 31 December 2007 and 1 January 2008			
Cost	74	968	1,042
Accumulated amortisation	(20)	(395)	(415)
Net book amount	54	573	627
Year ended 31 December 2008			
Opening net book amount	54	573	627
Amortisation	(7)	(97)	(104)
Closing net book amount	47	476	523
At 31 December 2008			
Cost	74	968	1,042
Accumulated amortisation	(27)	(492)	(519)
Net book amount	47	476	523

Amortisation of the Group's intangible assets has been charged to administrative expenses in the consolidated income statement.

9 INVESTMENT IN AN ASSOCIATED COMPANY

(a) Investment in an associated company

	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**155**	120
Share of profit for the year	**123**	35
End of the year	**278**	155

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

Name	Particulars of issued shares held	Country of incorporation	% Interest held	31 December 2008 Assets	Liabilities	Revenue	Profit	31 December 2007 Assets	Liabilities	Revenue	Profit
				MYR	*MYR*	*MYR*	*MYR*	*MYR*	*MYR*	*MYR*	*MYR*
Quality Amenities Supply (M) Sdn. Bhd.	50,000	Malaysia	50%	398,000	278,000	225,000	52,000	197,000	130,000	145,000	15,000

(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.

10 DEFERRED INCOME TAX

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

	2008	2007
	HK$'000	*HK$'000*
Deferred income tax assets		
– Deferred income tax assets to be realised after more than twelve months	**6,214**	5,276
Deferred income tax liabilities		
– Deferred income tax liabilities to be settled after more than twelve months	**(343)**	(322)
Deferred tax assets, net	**5,871**	4,954

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

	2008	2007
	HK$'000	*HK$'000*
At beginning of the year	**4,954**	2,455
Recognised in the consolidated income statement *(Note 27)*	**606**	2,198
Exchange differences	**311**	301
At end of the year	**5,871**	4,954

10 DEFERRED INCOME TAX *(Continued)*

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

Deferred income tax liabilities

	Accelerated tax depreciation
	HK$'000
At 1 January 2007	(406)
Recognised in the consolidated income statement	(55)
Exchange differences	(8)
At 31 December 2007 and 1 January 2008	(469)
Recognised in the consolidated income statement	(60)
Exchange differences	(9)
At 31 December 2008	(538)

Deferred income tax assets

	Decelerated tax depreciation	**Provision of assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	1,684	1,177	2,861
Recognised in the consolidated income statement	1,577	676	2,253
Exchange differences	193	116	309
At 31 December 2007 and 1 January 2008	3,454	1,969	5,423
Recognised in the consolidated income statement	48	618	666
Exchange differences	200	120	320
At 31 December 2008	3,702	2,707	6,409

11 INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	**38,458**	29,265
Work in progress	**1,950**	920
Finished goods	**49,495**	27,952
	89,903	58,137
Less: Provision for obsolete inventories	**(5,108)**	(3,758)
Inventories, net	**84,795**	54,379

The cost of inventories included in cost of sales during the year amounted to approximately HK$487,187,000 (2007: HK$434,041,000).

The gross amount of inventories carried at net realisable value amounted to approximately HK$5,108,000 (2007: HK$3,758,000) as at 31 December 2008. Full provision has been made with regard to these balances.

12 TRADE AND BILLS RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**180,778**	154,275
Bills receivables	**6,508**	11,808
Receivable from a minority shareholder	**521**	172
	187,807	166,255
Less: provision for impairment of receivables	**(6,205)**	(4,196)
Trade and bills receivables, net	**181,602**	162,059

12 TRADE AND BILLS RECEIVABLES *(Continued)*

Ageing analysis of trade and bills receivables as at 31 December 2008 is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**99,379**	93,296
1 – 30 days	**43,570**	40,681
31 – 60 days	**18,745**	17,927
61 – 90 days	**9,305**	6,538
91 – 180 days	**9,699**	3,983
Over 180 days	**7,109**	3,830
	187,807	166,255

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

Denominated in:		
– US$	**98,728**	99,631
– RMB	**55,837**	35,733
– HK$	**24,144**	25,810
– Other currencies	**9,098**	5,081
	187,807	166,255

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

	2008	2007
	HK$'000	*HK$'000*
Trade and bills receivables	**181,602**	162,059

As at 31 December 2008, trade and bills receivables of approximately HK$6,205,000 (2007: HK$4,196,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales made to PRC customers which have remained long overdue.

12 TRADE AND BILLS RECEIVABLES *(Continued)*

As at 31 December 2008, trade and bills receivables of approximately HK$82,223,000 (2007: HK$68,763,000) 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:

	2008	2007
	HK$'000	*HK$'000*
Up to 90 days	**71,498**	65,102
91 to 180 days	**9,594**	3,504
Over 180 days	**1,131**	157
	82,223	68,763

The trade receivable from a minority shareholder is denominated in US$ and New Zealand dollar ("NZD"), unsecured, interest free and repayable on demand. The carrying value of this asset approximates its fair value.

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

	2008	2007
	HK$'000	*HK$'000*
At beginning of the year	**4,196**	3,010
Add: provision for impairment of receivables	**2,009**	1,186
At end of the year	**6,205**	4,196

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

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

13 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**294**	214	**–**	–
Prepayments	**19,361**	10,026	**174**	257
Other receivables	**11,705**	8,313	**989**	619
	31,360	18,553	**1,163**	876

The fair values are as follows:

	Group 2008	Group 2007	Company 2008	Company 2007
Deposits	**294**	214	**–**	–
Prepayments	**19,361**	10,026	**174**	257
Other receivables	**11,705**	8,313	**989**	619
	31,360	18,553	**1,163**	876

Denominated in:

	Group 2008	Group 2007	Company 2008	Company 2007
HK$	**5,567**	1,704	**1,134**	847
RMB	**25,057**	14,877	**–**	–
US$	**30**	1,722	**29**	29
Other currencies	**706**	250	–	–
	31,360	18,553	**1,163**	876

14 RESTRICTED CASH

	2008	2007
	HK$'000	*HK$'000*
Restricted cash	**65,888**	32,526
Denominated in:		
– RMB	**65,753**	32,390
– Singapore dollar ("SG$")	**135**	136
	65,888	32,526

14 RESTRICTED CASH *(Continued)*

RMB denominated balances as at 31 December 2008 represent fixed terms deposits placed in a commercial bank in the PRC by one of the subsidiaries of the Group, as pledged against the US$ denominated loans drawn from the bank. Please refer to Note 19 "Borrowings" for further details of the arrangement. The weighted average effective interest rate per annum on restricted cash was 4.14% (2007: 3.04%) as at 31 December 2008.

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and on hand	**99,361**	122,888	**35,708**	16,642
Bank deposit	**383,343**	412,136	**381,990**	401,120
	482,704	535,024	**417,698**	417,762
Denominated in:				
– HK$	**433,693**	439,474	**417,698**	417,762
– RMB	**18,519**	11,176	**–**	–
– US$	**20,188**	81,586	**–**	–
– Other currencies	**10,304**	2,788	**–**	–
	482,704	535,024	**417,698**	417,762

The effective interest rate on short-term bank deposit was 2.03% (2007: 3.26%) per annum as at 31 December 2008, the deposit has an average maturity of 37 days (2007: 26 days).

The Group's cash and bank balances denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Cash at bank balance	**482,704**	535,024

16 INVESTMENT IN A SUBSIDIARY AND AMOUNTS DUE TO SUBSIDIARIES

(a) Investment in a subsidiary

	2008	2007
	HK$'000	*HK$'000*
Investment, at cost	**228,647**	228,647

As at 31 December 2008, the Company had direct and indirect interests in the following principal subsidiaries:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/ paid-in capital	Attributable equity	
				Directly	Indirectly
Ming Fai Holdings Limited	British Virgin Islands, limited liability company	Investment holding; Hong Kong	US$100	100%	–
Ming Fai Plastic Enterprise Company Limited	Hong Kong, limited liability company	Investment holding; Hong Kong	HK$10,000	–	100%
Pacific Harvest International Limited	Hong Kong, limited liability company	Investment holding; Hong Kong	HK$5,000,000	–	100%
Quality Amenities Supply Limited	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$1,000,000	–	100%
Ming Fai Asia Pacific Company Limited	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$10,000,000	–	100%
Ming Fai Enterprise International Company Limited	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$3	–	100%
Ming Fai Enterprise (Shenzhen) Company Limited (明輝實業(深圳)有限公司)	PRC, limited liability company	Manufacturing and sales of amenity products and accessories; PRC	HK$50,000,000	–	100%

16 INVESTMENT IN A SUBSIDIARY AND AMOUNTS DUE TO SUBSIDIARIES *(Continued)*

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

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/ paid-in capital	Attributable equity Directly	Attributable equity Indirectly
Quality Amenities Supply Pte. Ltd	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	PRC, limited liability company	Manufacturing and sales of amenity products and accessories; PRC	US$2,000,000	–	100%
Good Corporation Limited	Hong Kong, limited liability company	Trading of amenity products and accessories; Hong Kong	HK$10,000	–	100%
New subsidiaries set up in 2008:					
MF Roommaster Australia Pty Ltd	Australia limited liability company	Trading of Amenity products and accessories, Australia	AUD10,000	–	51%
Prime Profit Enterprise Limited	Hong Kong, limited liability company	Investment holding; Hong Kong	HK$10,000	–	100%
卓譽佳(四川)商貿有限公司	PRC, limited liability company	Trading of amenity products and accessories; PRC	HK$1,000,000	–	100%

(b) Amount due to subsidiaries

The amounts due are denominated in HK$ and US$, unsecured, interest free and are repayable upon demand. The balances were settled during the year ended 31 December 2008. The carrying values of these balances approximate their fair values.

17 RESERVES

(a) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Reorganisation and the nominal value of the share capital of the Company issued in exchange thereof.

(b) Statutory reserve fund

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 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.

(c) Equity movement of the Company

	Share capital	Share premium	Merger reserve *(Note a)*	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 29 May 2007, date of incorporation *(Note 18 (a))*	–	–	–	–	–
Profit for the period *(Note 28)*	–	–	–	3,413	3,413
Ordinary shares issued *(Note 18 (a))*	–	–	–	–	–
Issue of ordinary shares in respect of Reorganisation *(Note 18 (c))*	1,000	–	227,647	–	228,647
Capitalisation for issuance of new shares *(Note 18(d))*	3,500	–	(3,500)	–	–
Issue of ordinary shares, net of issuing expense of approximately HK$37,258,000 *(Note 18(e))*	1,500	408,242	–	–	409,742
Balance at 31 December 2007	6,000	408,242	224,147	3,413	641,802
Profit for the year	–	–	–	55,805	55,805
Dividends relating to 2007	–	–	–	(50,400)	(50,400)
Balance at 31 December 2008	6,000	408,242	224,147	8,818	647,207
Representing:					
Share capital and reserves					596,807
Proposed final dividend *(Note 30)*					50,400
Balance at 31 December 2008					647,207

18 SHARE CAPITAL

	2008		2007	
	No. of shares	***HK$'000***	*No. of shares*	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January	**10,000,000,000**	**100,000**	–	–
At 29 May, date of incorporation *(Note (a))*	**–**	**–**	36,000,000	360
Increase during the year/period *(Note (b))*	**–**	**–**	9,964,000,000	99,640
At 31 December	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
At 1 January	**600,000,000**	**6,000**	–	–
At 29 May, date of incorporation *(Note (a))*	**–**	**–**	1	–
Ordinary shares issued *(Note (a))*	**–**	**–**	1	–
Issuance of ordinary shares in respect of Reorganisation *(Note (c))*	**–**	**–**	99,999,998	1,000
Capitalisation for issuance of new shares *(Note (d))*	**–**	**–**	350,000,000	3,500
Issuance of ordinary shares for initial public offerings *(Note (e))*	**–**	**–**	150,000,000	1,500
At 31 December	**600,000,000**	**6,000**	600,000,000	6,000

18 SHARE CAPITAL *(Continued)*

Notes:

(a) The Company was incorporated on 29 May 2007 with an authorised share capital of HK$360,000 divided by 36,000,000 ordinary shares of HK$0.01 each. On 29 May 2007, one subscriber's share was issued at par to the initial subscriber of the Company, which was subsequently transferred to one of the Major Shareholders of the Group. On 15 June 2007, one additional share was issued at par to another Major Shareholders of the Group.

(b) On 5 October 2007, the authorised share capital was increased to HK$100,000,000 which was approved by the board of Directors (the "Board") on the same date.

(c) On 5 October 2007, the Company issued 99,999,998 shares to acquire the entire issued share capital of Ming Fai Holdings Limited through a share swap and became the holding company of the companies comprising the Group.

(d) Pursuant to a written resolution on 5 October 2007, the Company alloted and issued a total of 350,000,000 shares credited as fully paid at par to the then shareholders of the Company at the close of business on 10 October 2007 in proportion to their respective shareholdings by way of capitalisation of the sum of HK$3,500,000, conditional on the initial public offerings of the Company's share in Hong Kong.

(e) On 2 November 2007, a total number of 150,000,000 shares were issued to the public at HK$2.98 per share for cash totaling approximately HK$447,000,000. The excess of the issue price over the par value of the shares, net of share issuing expenses of HK$37,258,000, was debited to the share premium account of the Company.

19 BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Short-term bank loans	**63,460**	52,192
Representing:		
Secured	**63,460**	52,192

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

	2008	2007
	HK$'000	*HK$'000*
Within one year		
– RMB *(nota a)*	**–**	20,373
– US$ *(note b)*	**63,460**	31,819
	63,460	52,192

19 BORROWINGS *(Continued)*

The weighted average effective interest rate per annum of the Group's borrowings at 31 December 2008 is set out as follows:

	2008	2007
Total borrowings:		
– RMB *(Note a)*	–	7.41%
– US$ *(Note b)*	**6.22%**	6.52%

Note (a)

As at 31 December 2007, borrowings drawn in the PRC were secured by the Group's leasehold land and land use rights with net carrying value of approximately HK$2,126,000 *(Note 6)* and property, plant and equipment with net carrying value of approximately HK$28,463,000 *(Note 7)*. The related borrowings were settled during the year ended 31 December 2008 and no leasehold land and land use rights and property, plant and equipment was pledged as at 31 December 2008.

Note (b)

A subsidiary of the Group has entered into arrangements with a bank in the PRC. Under these arrangements, borrowings denominated in US$ with maturities of 12 months were drawn. Simultaneously, RMB equivalent amounts in the forms of fixed term deposits and having the same maturities with the US$ loans, were placed with that bank. These RMB deposits were used to pledge against the loans *(Note 14)*. The RMB deposits would be converted to US$ at forward exchange rates specified in the arrangements upon maturities for repayment of the US$ loans. Forward contracts of approximately HK$273,000 are recognised as derivative financial instruments, which are initially recognised and subsequently remeasured at their fair values. Changes in fair values of the forward contracts are recognised in the consolidated income statement.

The carrying amounts of short-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:

	2008	2007
	HK$'000	*HK$'000*
Floating rate		
– Expiring within one year	–	17,156

The banking facilities maintained by the Group as at 31 December 2007 expired in December 2008. No banking facilities were maintained by the Group as at 31 December 2008.

20 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**51,372**	69,644
1 – 30 days	**25,035**	20,568
31 – 60 days	**2,828**	579
61 – 90 days	**379**	464
Over 90 days	**3,354**	2,517
	82,968	93,772
Denominated in:		
– HK$	**12,956**	18,796
– RMB	**60,421**	63,903
– US$	**9,008**	11,047
– Other currencies	**583**	26
	82,968	93,772

21 LOAN FROM A MINORITY SHAREHOLDER

Loan from a minority shareholder is denominated in Australian dollar ("AUD"), unsecured, interest free and repayable on demand. The carrying value of this liability approximates its fair value.

22 EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs and administrative expenses are presented as follows:

	2008	2007
	HK$'000	*HK$'000*
Changes in inventories *(Note 11)*	**487,187**	434,041
Auditors' remuneration	**2,060**	1,483
Amortisation of leasehold land and land use rights *(Note 6)*	**340**	267
Depreciation of property, plant and equipment *(Note 7)*	**21,504**	17,739
Amortisation of intangible assets *(Note 8)*	**104**	104
Operating lease rental in respect of buildings	**2,139**	2,137
Provision for/(write-back of) obsolete inventories	**1,350**	(1,169)
Provision for impairment of trade and bills receivables *(Note 12)*	**2,009**	1,186
Employee benefit expenses *(Note 24)*	**127,380**	119,860
Transportation expenses	**31,243**	27,677
Exchange (gains)/losses	**(1,042)**	5,664
Advertising costs	**3,100**	1,746
Loss on disposal of property, plant and equipment	**–**	59
Utilities	**14,619**	13,189

23 OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Interest income	**12,062**	4,985
Gain on disposal of property, plant and equipment	**472**	–
Income from sales of scrap materials	**869**	1,107
Changes in fair value of financial instruments	**(273)**	–
	13,130	6,092

24 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2008	2007
	HK$'000	*HK$'000*
Salaries, wages and bonuses	**117,125**	100,451
Pension costs - defined contribution plans	**614**	592
Welfare and other expenses	**9,641**	18,817
	127,380	119,860

25 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:

	2008	2007
	HK$'000	*HK$'000*
Fees	**1,379**	891
Basic salaries, housing allowances, other allowances and benefits-in-kind	**7,279**	4,984
Contributions to pension plans	**86**	88
	8,744	5,963

25 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(Continued)

(a) Directors' emoluments *(Continued)*

The emoluments of every director for the year ended 31 December 2008 is as follows:

Name of Director	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Ching Chi Fai	120	1,210	800	12	2,142
Mr. Ching Chau Chung	120	1,210	200	12	1,542
Mr. Ching Chi Keung	120	438	350	12	920
Mr. Liu Zigang	120	475	500	24	1,119
Mr. Lee King Hay	120	440	350	12	922
Ms. Chan Yim Ching	120	690	500	12	1,322
Ms. Chan Wing *(Note)*	20	116	–	2	138
Independent Non-executive Directors					
Mr. Hung Kam Hung	150	–	–	–	150
Mr. Ma Chun Fung	150	–	–	–	150
Mr. Sun Kai Lit	150	–	–	–	150
Non-executive Directors					
Mr. Ng Bo Kwong	120	–	–	–	120
Ms Chan Wing *(Note)*	69	–	–	–	69
Total	1,379	4,579	2,700	86	8,744

Note:

Ms. Chan Wing was re-designated as a Non-executive Director from 4 March 2008. She retired upon the completion of her service contract on 21 September 2008.

25 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(Continued)

(a) Directors' emoluments *(Continued)*

The emoluments of every director for the year ended 31 December 2007 is as follows:

Name of Director	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Ching Chi Fai	120	1,106	150	12	1,388
Mr. Ching Chau Chung	120	1,106	150	12	1,388
Mr. Ching Chi Keung	120	412	99	12	643
Mr. Liu Zigang	76	87	10	16	189
Mr. Lee King Hay	120	295	104	12	531
Ms. Chan Yim Ching	120	546	88	12	766
Ms. Chan Wing	120	751	80	12	963
Independent Non-executive Directors					
Mr. Hung Kam Hung	25	–	–	–	25
Mr. Ma Chun Fung	25	–	–	–	25
Mr. Sun Kai Lit	25	–	–	–	25
Non-executive Directors					
Mr. Ng Bo Kwong	20	–	–	–	20
Total	891	4,303	681	88	5,963

None of the directors waived any emoluments during the year (2007: nil).

25 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(Continued)

(a) Directors' emoluments *(Continued)*

The emoluments of the directors fall within the following bands:

	Number of Individuals	
	2008	2007
Nil to HK$1,000,000	**7**	9
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2008 include four directors (2007: four) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual are as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**970**	674
Contributions to pension plans	**11**	12
	981	686

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

	Number of Individuals	
	2008	2007
Nil to HK$1,000,000	**1**	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 2008 (2007: Nil).

26 FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank borrowings		
– wholly repayable within five years	**4,950**	1,652
Interest on loans from shareholders		
– wholly repayable within five years	**–**	69
	4,950	1,721

27 INCOME TAX EXPENSES

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

	2008	2007
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**12,986**	31,407
– PRC enterprise income tax	**8,293**	91
– Singapore income tax	**–**	810
	21,279	32,308
Deferred income tax *(Note 10)*	**(606)**	(2,198)
	20,673	30,110

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% (2007: 17.5%) on the estimated assessable profits for the year ended 31 December 2008. In June 2008, the Hong Kong government enacted a change in the profits tax rate from 17.5% to 16.5% commencing from the fiscal year 2008/2009.

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 a subsidiary in Shenzhen, established prior to 16 March 2007, is 18% for the year ended 31 December 2008. This will be gradually increased to 25% in 2012 over a 5-year transition period.

27 INCOME TAX EXPENSES *(Continued)*

The applicable corporate income tax rate of Luoding Quality Amenities Supply Limited is 25%. Luoding Quality Amenities Supply Limited is eligible for corporate tax exemption for two years in 2008 and 2009, followed by a 50% reduction in corporate income tax rate in the next three years from 2010 to 2012. Luoding Quality Amenities Supply Limited was in a net loss position for the years ended 31 December 2008 and 2007.

Corporate tax in Singapore has been provided at the rate of 18% (2007: 18%) on the estimated assessable profit for the year ended 31 December 2008. The Group did not have any assessable profit in Singapore during the year ended 31 December 2008.

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

	2008	2007
	HK$'000	*HK$'000*
Profit before income tax	**121,517**	156,042
Tax calculated at domestic tax rates applicable to profits in the respective countries	**19,623**	27,755
Income not subject to tax	**(299)**	(884)
Expenses not deductible for tax purposes	**1,191**	3,299
Utilisation of previously unrecognised tax losses	**–**	(82)
Tax losses for which no deferred income tax asset was recognised	**158**	22
Tax charge	**20,673**	30,110

The weighted average applicable tax rate was 16% (2007: 18%) per annum for the year ended 31 December 2008.

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxation profits is probable. The Group has unrecognised tax losses of approximately HK$888,000 (2007: HK$529,000) as at 31 December 2008 to carry forward against future taxable income. These tax losses expire in the following years:

	2008	2007
	HK$'000	*HK$'000*
In the first to fifth years inclusive	**465**	466
No expiry date	**423**	63
	888	529

28 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$55,805,000 (2007: HK$3,413,000).

29 EARNINGS PER SHARE

(a) Basic

Basic earnings per share 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.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**100,870**	125,932
Weighted average number of ordinary shares in issue (thousands)	**600,000**	474,658
Basic earnings per share (HK$ per share)	**0.17**	0.27

In determining the weighted average number of ordinary shares in issue, a total of 450,000,000 ordinary shares were deemed to be in issue since 1 January 2007.

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2008 and 31 December 2007.

30 DIVIDENDS

A dividend in respect of the year ended 31 December 2008 of HK$0.084 (2007: HK$0.084 per share) per share, amounting to a total dividend of HK$50,400,000 (2007: HK$50,400,000), is proposed on 12 March 2009, which is subject to approval at the AGM to be held on 5 May 2009. This proposed dividend is not reflected as a dividend payable in those financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

31 NOTE TO CONSOLIDATED CASH FLOW STATEMENTS

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

	2008	2007
	HK$'000	*HK$'000*
Profit before income tax	**121,517**	156,042
Adjustments for:		
– Amortisation of leasehold land and land use rights *(Note 6)*	**340**	267
– Depreciation of property, plant and equipment *(Note 7)*	**21,504**	17,739
– Amortisation of intangible assets *(Note 8)*	**104**	104
– Changes in fair value of financial instrument *(Note 23)*	**273**	–
– (Gain)/loss on disposal of property, plant and equipment *(Note 22, 23)*	**(472)**	59
– Interest income *(Note 23)*	**(12,062)**	(4,985)
– Interest expense *(Note 26)*	**4,950**	1,721
– Provision for/(write-back of) obsolete inventories *(Note 22)*	**1,350**	(1,169)
– Provision for impairment of trade and bills receivables *(Note 22)*	**2,009**	1,186
– Share of profit of an associated company	**(123)**	(35)
Changes in working capital:		
– Inventories	**(31,766)**	2,619
– Trade and bills receivables	**(21,552)**	(4,609)
– Deposits, prepayments and other receivables	**(9,967)**	(6,956)
– Trade payables	**(10,804)**	11,863
– Accruals and other payables	**16,837**	28,976
– Amounts due to related parties	**–**	(7,414)
– Amount due from an associated company	**(691)**	138
Cash generated from operations	**81,447**	195,546

31 NOTE TO CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

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

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	2008	2007
	HK$'000	*HK$'000*
Net book amount:		
– Property, plant and equipment	**106**	96
Gain/(loss) on disposal of property, plant and equipment	**472**	(59)
Proceeds from disposal of property, plant and equipment	**578**	37

(c) Analysis of changes in financing during the year

Bank borrowings

	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**52,192**	8,022
Proceeds from borrowings	**61,323**	80,223
Repayments of borrowings	**(53,152)**	(38,234)
Exchange difference	**3,097**	2,181
End of the year	**63,460**	52,192

Loan from a minority shareholder

	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**–**	–
Proceeds from the loan	**625**	–
Exchange difference	**(130)**	–
End of the year	**495**	–

32 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted by the Group at the balance sheet date but not yet provided for is as follows:

	2008	2007
	HK$'000	*HK$'000*
Property, plant and equipment	**4,143**	1,754

(b) Operating lease commitments

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

	2008	2007
	HK$'000	*HK$'000*
No later than one year	**1,403**	608
Later than one year and no later than five years	**815**	385
	2,218	993

A subsidiary of the Group has entered into management consultancy services agreements on 16 January 2008 and 27 June 2008, respectively with Advance Management Consultants Limited, a company controlled by Mr. Ng Bo Kwong, who has been appointed as an Non-executive Director of the Group. As at 31 December 2008, the total commitment entered into with regard to such services amounted to approximately HK$93,000 (2007: HK$33,000).

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

(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
Liu Zigang	Not applicable	Shareholder of the Company
Ching Chi Keung	Not applicable	Shareholder of the Company
AMF Supply, Inc.	Trading of hotel amenities and accessories (Dissolved on 4 June 2007)	Company controlled by Ching Chi Fai, Ching Chau Chung and Ching Chi Keung
Ming Fai Plastic Industrial Company	Manufacturing of plastic products (Ceased manufacturing of plastic products since April 2003)	Partnership owned by Ching Chi Fai, Ching Chau Chung and Ching Chi Keung
Quality Amenities Supply (M) Sdn. Bhd.	Trading of hotel amenities and accessories	Associated company of the Company
Advance Management Consultants Limited	Provision of consultancy services	Company owned by Ng Bo Kwong

33 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

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

The Group had the following significant transactions with related parties:

	2008	2007
	HK$'000	*HK$'000*
(i) Sales of goods		
– to Quality Amenities Supply (M) Sdn. Bhd.	**785**	147
(ii) Rental charged		
– by Ming Fai Plastic Industrial Company	**820**	753
– by Liu Zigang	**148**	136
(iii) Purchase of assets and services rendered from		
– Marketing service from AMF Supply, Inc.	**–**	442
– A property owned by Ching Chi Keung	**–**	900
– Consultancy service from Advance Management Consultants Limited	**567**	231
– Freight and administrative charge from Quality Amenities Supply (M) Sdn. Bhd	**652**	671

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

Purchase of a property is transacted at normal commercial terms.

Purchases of assets and 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 normal commercial terms.

The Group leased two office premises in the PRC from Mr. Liu Zigang. The transactions are carried out at normal commercial terms.

33 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	2008	2007
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**8,658**	7,315
Contributions to pension plans	**86**	135
	8,744	7,450

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

	2008	2007
	HK$'000	*HK$'000*
Amounts due from/(to)		
– Quality Amenities Supply (M) Sdn. Bhd	**553**	(138)

(d) Loans from shareholders/related parties and loan to an associated company

(i) Loans from shareholders

	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	–	32,686
Loans drawn during the year	–	5,635
Repayments during the year	–	(38,602)
Interest expense	–	69
Interest paid during the year	–	(69)
Exchange differences	–	281
End of the year	–	–

33 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(d) Loans from shareholders/related parties and loan to an associated company *(Continued)*

(ii) Loans from related parties

	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	–	27,580
Loans drawn during the year	–	15,000
Repayments during the year	–	(44,324)
Exchange differences	–	1,744
End of the year	–	–

(iii) Loan to an associated company

	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**484**	484
Loan advanced during the year	–	–
End of the year	**484**	484

(e) Shareholders' indemnity

In June 2007, the Food and Drug Administration of the United States ("FDA") issued a warning and import alert regarding toothpaste containing DEG, manufactured in China. Subsequently in August 2007, one of the Group's distributor customers in the United States made a press release on the FDA website alleging that certain toothpaste supplied by the Group was found to contain DEG, and a voluntary recall of the toothpaste has been conducted in cooperation with the FDA accordingly. During the year ended 31 December 2007, the Group made a provision of approximately HK$3,900,000 to cover the potential loss arising from this toothpaste issue. Should the potential loss exceed the existing provision amount, the shortfall will be covered by the indemnity provided by the Major Shareholders.

34 SUBSEQUENT EVENT

On 27 February 2009, a subsidiary of the Group entered into an agreement with two independent third parties to set up a textile manufacturing business in the Guangxi province of the PRC. The Group will hold 51% equity interest in this subsidiary, and the committed capital contribution for this investment is RMB2,550,000, which is equivalent to approximately HK$2,893,000.

Five Year Financial Summary

CONSOLIDATED/COMBINED RESULTS

	Year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	350,717	507,387	687,406	846,017	**876,044**
Profit before income tax	35,990	68,501	111,060	156,042	**121,517**
Income tax expenses	(9,533)	(13,499)	(18,706)	(30,110)	**(20,673)**
Profit for the year	26,457	55,002	92,354	125,932	**100,844**

CONSOLIDATED/COMBINED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS					
Non-current assests	98,428	110,088	120,090	146,424	**157,110**
Current assets	136,424	184,976	285,510	802,887	**854,052**
Total assets	234,852	295,064	405,600	949,311	**1,011,162**
EQUITY AND LIABILITIES					
Total equity	93,345	114,008	164,556	706,166	**760,934**
Non-current liabilities	685	5,451	345	322	**343**
Current liabilities	140,822	175,605	240,699	242,823	**249,885**
Total liabilities	141,507	181,056	241,044	243,145	**250,228**
Total equity and liabilities	234,852	295,064	405,600	949,311	**1,011,162**