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30 June 2011

The Directors
Winox Holdings Limited
Haitong International Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Winox Holdings Limited (the "Company"), its subsidiaries and Winox Manufacturing Company Limited (the "Predecessor Entity") (defined below, together with the Company and its subsidiaries hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2010 (the "Track Record Period") for inclusion in the prospectus of the Company dated 30 June 2011 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 28 January 2010. Pursuant to a group reorganisation as more fully explained in the section headed "Reorganisation" of the Prospectus (the "Group Reorganisation"), the Company has become the holding company of the companies comprising the Group on 11 March 2011.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
Feng Cai Limited* ("Feng Cai")	British Virgin Islands 2 December 2009	Shares US$100	100%	Investment holdings
Glorify Land Management Limited* ("Glorify Land")	British Virgin Islands 13 November 2007	Shares US$880	100%	Investment holdings
Max Surplus Corporation Limited ("Max Surplus")	Hong Kong 3 December 2009 (being a private limited company)	Ordinary capital HK$1	100%	Investment holdings

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
Winox Holdings Limited * ("Winox BVI")	British Virgin Islands 1 February 2010	Shares US$1	100%	Inactive
Winox Enterprise Company Limited ("Winox Enterprise") . .	Hong Kong 23 March 2001 (being a private limited company)	Ordinary capital HK$60,000,000	100%	Investment holdings and sale of watch bracelets, costume jewellery and accessories
Winox Management Limited ("Winox Management")	Hong Kong 8 September 2010 (being a private limited company)	Ordinary capital HK$1	100%	Provision of management and administration service to the group entities
盈利時錶業(東莞)有限公司 ("Winox WFOE") .	People's Republic of China (the "PRC") 4 April 2002 for a term of 20 years as a wholly foreign owned enterprise	Registered capital HK$50,000,000 Paid-up capital HK$50,000,000	100%	Manufacture and sale of watch bracelets, costume jewellery, mobile phone case, and accessories
惠州豐采貴金屬製造有限公司 (formerly known as 惠州豐采置業有限公司) ("Huizhou WFOE") . .	PRC 10 June 2010 for a term of 30 years as a wholly foreign owned enterprise	Registered capital HK$52,000,000 Paid-up capital HK$52,000,000	100%	Manufacturing and sale of watch bracelets watch shell accessories costume jewellery, gold and silver jewellery, non-gold jewellery, mobile phone case and mould

* *Directly held by the Company*

During the year ended 31 December 2008, the Predecessor Entity engaged in manufacturing and sale of watch bracelets, costume jewellery and accessories. Pursuant to certain policies of the PRC local government authorities of Dongguan to encourage the establishment of wholly-foreign owned enterprises rather than engaging processing factories for the provision of processing services, among others, to consolidate its resources and upgrade the businesses in the various localities and in compliance with the procedures prescribed by the local foreign trade and economic cooperation authority, local customs and other relevant authorities, Winox Enterprise and Winox WFOE started to carry out the manufacturing and sale operations of the Group in place of the Predecessor Entity, and gradually, the Predecessor Entity ceased its manufacturing and sales operations in 2008. After the Predecessor Entity completed the purchase orders placed by its customers and legal transfer of certain property, plant and equipment associated with manufacturing and sale of watch bracelets, costume jewellery and accessories, the directors of the Predecessor Entity resolved to cease the business of the Predecessor Entity on 31 December 2008 (details of which are set out in the paragraph headed "History and Development" to the Prospectus). The particulars of the Predecessor Entity for the year ended 31 December 2008 are set out below:

Name of the Predecessor Entity	Place and date of incorporation	Issued and fully paid share capital	Attributable beneficial/ direct equity interest	Principal activities
Winox Manufacturing Company Limited	Hong Kong 5 July 1999	Ordinary capital HK$60,000,000	96%*	Manufacture and sale of watch bracelets, costume jewellery and accessories

* *The remaining 4% beneficial interests of the Predecessor Entity was owned by Mr. Ko Wai Cheung, the non-controlling interests of the Group, through the nominee shareholder, Good Effect Limited ("ultimate holding company of the Predecessor Entity"), an investment holding company with limited liability incorporated in the British Virgin Islands. The financial information of Good Effect Limited was not included in the Financial Information for the Track Record Period.*

The statutory financial statements of the following companies for each of the three years ended 31 December 2010 were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC or Hong Kong enterprises and were audited by the following certified public accountants registered in the PRC or Hong Kong.

Name of company	Financial year	Name of auditor
Max Surplus	For the period from 3 December 2009 (date of incorporation) to 31 December 2010	Deloitte Touche Tohmatsu
Winox Enterprise	Each of the two years ended 31 December 2009	CCIF CPA Limited
	Year ended 31 December 2010	Deloitte Touche Tohmatsu
Winox WFOE	Each of the three years ended 31 December 2010	廣東中誠安泰會計師事務所有限公司 (Guangdong CCAT Certified Public Accountants Co., Ltd.)

Name of company	Financial year	Name of auditor
Huizhou WFOE	For the period from 10 June 2010 (date of establishment) to 31 December 2010	惠州廣誠會計師事務所
The Predecessor Entity .	Year ended 31 December 2008	W.H. Tse & Company

We have acted as the auditor of the Company since its date of incorporation. As at the date of this report, no statutory audit financial statements have been prepared for the Company, Winox Management, and those subsidiaries which were incorporated in the British Virgin Islands as they were either newly incorporated/established or incorporated in jurisdictions where there are no statutory audit requirements.

We have audited the consolidated financial statements of Glorify Land and Feng Cai for the Track Record Period, and examined the management accounts of the Company and Winox BVI since their date of incorporation to 31 December 2010 and the audited financial statements or where necessary, the management accounts of the Predecessor Entity for the year ended 31 December 2008, prepared under Hong Kong Financial Reporting Standards ("HKFRSs") (the "Underlying Financial Statements") in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have examined the Underlying Financial Statements for the Track Record Period in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The combined statements of financial position of the Group as at 31 December 2008, 31 December 2009 and 31 December 2010 and the combined statements of comprehensive income and cash flows of the Group for the Track Record Period have been prepared from the Underlying Financial Statements, on the basis set out in note 1 of Section E below, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of those companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 of Section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2010 and the Group as at 31 December 2008, 31 December 2009, and 31 December 2010 and of the combined profit and cash flows of the Group for the Track Record Period.

A. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Section E Notes	Year ended 31 December 2008	2009	2010
		HK$'000	HK$'000	HK$'000
Turnover	7	324,598	256,928	398,606
Cost of goods sold		(202,692)	(157,356)	(227,936)
Gross profit		121,906	99,572	170,670
Other income	8	1,118	1,275	4,055
Other losses	9	(8,464)	(1,756)	(1,254)
Selling and distribution costs		(17,995)	(12,588)	(20,075)
Administrative expenses		(23,346)	(25,058)	(35,010)
Listing expenses		–	–	(5,240)
Finance costs	10	(551)	(2,981)	(4,900)
Profit before taxation	11	72,668	58,464	108,246
Taxation	13	(11,169)	(6,296)	(17,267)
Profit for the year		61,499	52,168	90,979
Other comprehensive income – exchange differences arising on translation		677	386	4,254
Total comprehensive income for the year		62,176	52,554	95,233
Profit for the year attributable to:				
Owners of the Company		59,553	52,168	90,979
Non-controlling interests		1,946	–	–
		61,499	52,168	90,979
Total comprehensive income attributable to:				
Owners of the Company		60,210	52,554	95,233
Non-controlling interests		1,966	–	–
		62,176	52,554	95,233
Earnings per share – Basic	14	HK15.9 cents	HK13.9 cents	HK24.3 cents

B. COMBINED STATEMENTS OF FINANCIAL POSITION

	Section E	At 31 December		
	Notes	2008	2009	2010
		HK$'000	HK$'000	HK$'000
Non-current assets				
Property, plant and equipment	16	62,286	64,346	94,580
Prepaid lease payments	17	7,017	6,867	6,970
Prepayment for acquisition of land use right		–	–	18,687
Deposits paid for acquisition of property, plant and equipment		2,133	453	7,443
Deposit and prepayments for a life insurance policy	18	–	–	5,682
		71,436	71,666	133,362
Current assets				
Inventories	19	46,320	25,433	40,633
Trade and other receivables	20	33,497	41,780	97,608
Amount due from a shareholder	21	–	241	–
Amounts due from related parties	22	5,673	26,701	538
Pledged bank deposits	23	499	124	–
Bank balances and cash	23	56,040	40,232	61,793
		142,029	134,511	200,572
Current liabilities				
Trade and other payables	24	33,793	35,325	56,119
Dividend payable		–	–	1,200
Tax payables		5,212	6,508	1,125
Amounts due to related parties	22	29,164	80	–
Amount due to a director	25	55,624	24,976	–
Bank borrowings	26	36,437	69,052	139,474
Obligation under a finance lease	27	134	134	56
		160,364	136,075	197,974

	Section E Notes	At 31 December 2008	2009	2010
		HK$'000	**HK$'000**	**HK$'000**
Net current (liabilities) assets		(18,335)	(1,564)	2,598
Total assets less current liabilities		53,101	70,102	135,960
Non-current liabilities				
Obligation under a finance lease	*27*	190	56	–
Deferred tax liabilities	*28*	5,418	–	–
		5,608	56	–
Net assets		47,493	70,046	135,960
Capital and reserves				
Share capital	*29*	–	–	1
Reserves		47,493	70,046	135,959
Equity attributable to owners of the Company		47,493	70,046	135,960

C. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Non-distributable reserve	Translation reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note 29 of Section E)	(Note a)					
At 1 January 2008	57,600	1	1,543	16,950	76,094	3,229	79,323
Exchange differences arising on translation of foreign operations	–	–	657	–	657	20	677
Profit for the year	–	–	–	59,553	59,553	1,946	61,499
Total comprehensive income for the year	–	–	657	59,553	60,210	1,966	62,176
Acquisition of additional interest in a subsidiary from non-controlling interests *(Note b)*	–	–	69	(391)	(322)	(1,508)	(1,830)
Deemed appropriation to owners of the Company *(Note 1 of Section E)*	(57,600)	–	–	(30,889)	(88,489)	(3,687)	(92,176)
At 31 December 2008	–	1	2,269	45,223	47,493	–	47,493
Exchange differences arising on translation of foreign operations	–	–	386	–	386	–	386
Profit for the year	–	–	–	52,168	52,168	–	52,168
Total comprehensive income for the year	–	–	386	52,168	52,554	–	52,554
Capital contribution by owners of the Company	–	4,799	–	–	4,799	–	4,799
Dividend	–	–	–	(34,800)	(34,800)	–	(34,800)
At 31 December 2009	–	4,800	2,655	62,591	70,046	–	70,046
Exchange differences arising on translation of foreign operations	–	–	4,254	–	4,254	–	4,254
Profit for the year	–	–	–	90,979	90,979	–	90,979
Total comprehensive income for the year	–	–	4,254	90,979	95,233	–	95,233
Issue of shares	1	–	–	–	1	–	1
Capitalisation of retained earnings *(Note c)*	–	2,400	–	(2,400)	–	–	–
Dividend	–	–	–	(29,320)	(29,320)	–	(29,320)
At 31 December 2010	1	7,200	6,909	121,850	135,960	–	135,960

Notes:

(a) The non-distributable reserve represented 12% of the issued share capital of Winox Enterprise which contributed by certain owners of the Company directly before the Group Reorganisation.

(b) On 31 December 2008, the Group acquired 3% additional interest in Winox Enterprise from non-controlling interests, increasing its controlling interests from 97% to 100%. The consideration on acquisition of HK$1,830,000 were paid in cash. An amount of HK$1,508,000 (being the proportionate share of the carry amount of the consolidated net assets of Winox Enterprise) has been transferred from non-controlling interests. The difference of HK$322,000 between HK$1,508,000 and the consideration paid of HK$1,830,000 has been debited to equity attributable to owners of the Company.

(c) On 31 December 2010, Winox Enterprise allotted and issued 20,000,000 ordinary shares of HK$1.00 each credited as fully paid by way of capitalisation of an amount of HK$20,000,000 out of its retained profits.

D. COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Operating activities			
Profit before taxation	72,668	58,464	108,246
Adjustments for:			
Interest income	(76)	(600)	(411)
Interest expenses	551	2,981	4,900
Depreciation	11,999	6,647	6,515
Operating lease rentals in respect of prepaid lease payments	149	150	153
Bad debts written off	2,870	–	–
Loss on disposal of property, plant and equipment	3,070	1,379	27
Imputed interest income from a deposit placed for a life insurance policy *(note 18 of Section E)*	–	–	(39)
Amortisation of prepaid insurance expenses *(note 18 of Section E)*	–	–	111
Operating cash flows before movements in working capital	91,231	69,021	119,502
(Increase) decrease in inventories	(36,972)	20,887	(14,228)
Decrease (increase) in trade and other receivables	42,112	(7,898)	(54,318)
(Decrease) increase in trade and other payables	(27,538)	1,532	19,923
Cash generated from operations	68,833	83,542	70,879
Income tax paid			
Hong Kong Profits Tax	(2,204)	(10,417)	(18,223)
PRC Enterprise Income Tax ("PRC EIT")	–	–	(3,888)
Net cash from operating activities	66,629	73,125	48,768

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Investing activities			
Interest received	76	600	411
Deposits paid for acquisition of property, plant and equipment	(2,133)	(453)	(7,443)
Payment for a life insurance policy	–	–	(6,200)
Prepayment for acquisition of land use right	–	–	(18,687)
(Increase) decrease in pledged bank deposits	(176)	375	124
Purchase of property, plant and equipment	(7,585)	(7,971)	(32,975)
Proceed from disposal of property, plant and equipment	–	18	–
Advances made to related parties	(5,673)	(26,701)	(538)
Repayments from related parties	136	5,673	26,701
Advances to ultimate holding company of the Predecessor Entity	(44,079)	–	–
(Advances to) repayment from a shareholder	–	(241)	241
Net cash used in investing activities	(59,434)	(28,700)	(38,366)

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Financing activities			
Interest paid	(551)	(2,981)	(4,900)
Repayments of obligation under a finance lease	(134)	(134)	(134)
Bank borrowings raised	36,437	38,015	84,840
Repayments of bank borrowings	(4,714)	(5,400)	(15,919)
Repayments to a director	(10,494)	(30,648)	(24,976)
Advances from related parties	1,829	19	–
Repayments to related parties	–	(29,103)	(80)
Acquisition of additional interest in a subsidiary from non-controlling interests	(1,830)	–	–
Proceeds on issue of shares	–	–	1
Proceeds on issue of shares of a subsidiary from certain owners of the Company	–	4,799	–
Dividend paid	–	(34,800)	(28,120)
Cash distributed to owners of the Company *(note 1 of Section E)*	(3,469)	–	–
Net cash from (used in) financing activities	17,074	(60,233)	10,712
Net increase (decrease) in cash and cash equivalents	24,269	(15,808)	21,114
Cash and cash equivalents at 1 January	31,688	56,040	40,232
Effect of foreign exchange rate changes	83	–	447
Cash and cash equivalents at 31 December, representing bank balances and cash	56,040	40,232	61,793

E. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Group Reorganisation, the Company has been the holding company of the companies now comprising the Group on March 2011.

The combined statements of comprehensive income and the combined statements of cash flows which include the results and cash flows of the companies now comprising the Group have been prepared by applying the principles of merger accounting which is consistent with the principle as stated in Accounting Guideline 5 "Merger accounting under common control combination" issued by the HKICPA, as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation/establishment, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2008, 31 December 2009, 31 December 2010 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

The Group was under the common control of Mr. Yiu Hon Ming ("Mr. Yiu") and Ms. Law Wai Ping ("Ms. Law", the spouse of Mr. Yiu) together with Mr. Mak Kin Man, Mr. Mark Yiu, Ms. Yiu Wai Sheung, Ms. Tang Wai Fong (the wife of the late Mr. So Bing Jo), Mr. Chan Kai Ming, Mr. Ng Woon Kiu and Mr. Li Chin Keung, collectivity prior to and after the Group Reorganisation, and that collective control is not transitory.

Although the Predecessor Entity was not formally included in the Group, it has been included in the Financial Information for the year ended 31 December 2008 (up to the cease of the business of the Predecessor Entity) as the directors of the Company consider that the historical financial information of the Group should include entire activities of the Predecessor Entity for the year ended 31 December 2008 that have been a part of the history of the Group's business in manufacturing and sale of watch bracelets, costume jewellery and accessories for the Track Record Period.

Accordingly, the result of the Predecessor Entity for the year ended 31 December 2008 is combined in the Financial Information. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the year ended 31 December 2008 include the results of the Predecessor Entity and the companies now comprising the Group. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the year ended 31 December 2009 and year ended 31 December 2010 only include the results of the companies now comprising the Group.

After the completion of purchase orders placed by its customers and legal transfer of certain property, plant and equipments associated with manufacturing and sale of watch bracelets, costume jewellery and accessories to Winox Enterprise and Winox WFOE, all remaining assets and liabilities of the Predecessor Entity (details of which are set out in below) were retained by the Predecessor Entity at their carrying value ("Retained Assets") as the directors of the Company are of the opinion that the Retained Assets were not necessary for the business of the Group after the replacement of the Predecessor Entity by Winox Enterprise and Winox WFOE during the year ended 31 December 2008. The Retained Assets retained by the Predecessor Entity at 31 December 2008 were treated as deemed appropriations to owners of the Company at 31 December 2008.

The directors of the Company represented that the Retained Assets have not been used for business operations since 31 December 2008 when the directors of the Predecessor Entity resolved to cease the business of the Predecessor Entity.

The Retained Assets retained by the Predecessor Entity at their carrying value on 31 December 2008 consisted of the following:

	Section E Notes	**HK$'000**
Assets		
Property, plant and equipment	*16(iii)*	162
Trade and other receivables		4,070
Tax receivables		2,003
Amounts due from related parties	*22*	27,335
Amount due from ultimate holding company of the Predecessor Entity		67,995
Cash and cash equivalents		3,469
		105,034
Liabilities		
Trade and other payables		8,712
Bank borrowings	*30*	4,146
		12,858
Net assets		92,176

The Financial Information is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA issued a number of new and revised Hong Kong Accounting Standards ("HKAS"s) and HKFRSs, amendments and interpretations ("INT"s) (hereinafter collectively referred to as the "new HKFRSs") which are effective for the Group's accounting periods beginning on 1 January 2010. For the purposes of preparing and presenting the Financial Information of the Track Record Period, the Group's has adopted all these new HKFRSs consistently throughout the Track Record Period.

At the date of this report, the following new and revised standards, amendments and INTs have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 27 (Revised)	Separate financial statements[7]
HKAS 28 (Revised)	Investments in associates and joint ventures[7]
HKAS 32 (Amendment)	Classification of rights issues[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[3]
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters[5]
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets[5]

HKFRS 9	Financial instruments[7]
HKFRS 10	Consolidated financial statements[7]
HKFRS 11	Joint arrangements[7]
HKFRS 12	Disclosure of interests in other entities[7]
HKFRS 13	Fair value measurement[7]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[6]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 February 2010.

3 Effective for annual periods beginning on or after 1 July 2010.

4 Effective for annual periods beginning on or after 1 January 2011.

5 Effective for annual periods beginning on or after 1 July 2011.

6 Effective for annual periods beginning on or after 1 January 2012.

7 Effective for annual periods beginning on or after 1 January 2013.

The Group has not early adopted these new and revised standards, amendments or interpretations in the preparation of the Group's Financial Information.

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with the following accounting policies which conform with the HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combination under common control

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

Construction in progress is stated at cost less identified impairment losses which includes all construction costs and other direct costs attributable to such projects, and borrowing costs capitalised in accordance with the Group's accounting policy. It is not depreciated until completion of construction and the relevant assets are available for use. Costs of completed construction works are transferred to the appropriate category of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments representing land use rights in the PRC are stated at cost and amortised on a straight-line basis over the lease terms. Prepaid lease payments which are to be amortised in the next twelve months or less are classified as current assets.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowings costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a shareholder, amounts due from related parties, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

Deposit and prepayments for a life insurance policy

Life insurance premium and relevant charges are charged as expenses over the relevant period being insured, with a corresponding reduction in the amounts prepaid to the insurance company. Interest income from the insurance deposit is accrued on a time basis, by reference to the deposit outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the deposit to the net carrying amount of the deposit on initial recognition.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimate future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instrument are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties, amount due to a director, bank borrowings and obligation under a finance lease are subsequently measured at amortised cost, using the effective interest method.

Equity instrument

Equity instrument issued by the Company and the group entity are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income or expense items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to retirement benefits plans and government-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank borrowings, pledged bank deposits, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits as disclosed in the Financial Information.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues of the Company as well as the raising of bank loans.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Inventories

Inventories are stated at the lower of cost (weighted average method) and net realisable value. Inventory provisions, are made for slow moving, obsolete or unsaleable inventory. In determining inventory provisions the management evaluates inventory in excess of the forecasted needs on both technological and economical criteria and take appropriate provisions to reflect the risk of obsolescence. This methodology is significantly affected by the management's forecasted needs for inventory. If actual demand or usage were to lower than estimated, additional inventory provisions for excess or obsolete inventory may be required, which could have material adverse effect on the Group's business, financial condition and results of operations.

Useful lives, residual value and impairment of property, plant and equipment

The Group's management determines the estimated useful lives, residual value and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual value of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives or residual value are expected to be shorter or lower than estimated, or it will write-off or write-down obsolete assets that have been abandoned or sold. Change in these estimations may have a material impact on the results of the Group.

6. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 3.

Categories of financial instruments

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Financial assets			
Loans and receivables			
(including cash and cash equivalents)	94,772	108,587	156,733
Financial liabilities			
Amortised cost	153,238	128,968	195,589
Obligation under a finance lease	324	190	56
	153,562	129,158	195,645

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a shareholder, amounts due from related parties, pledged bank deposits, bank balances and cash, deposit component of the life insurance policy (see note 18), trade and other payables, amount due to a director, amounts due to related parties, bank borrowings and obligation under a finance lease. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the combined statements of financial position.

As at 31 December 2008, 31 December 2009 and 31 December 2010, the Group has concentration of credit risk as 27%, 44% and 59%, and 88%, 86% and 83% respectively of the trade receivables was due from the Group's largest customer and the five largest customers respectively.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is minimal as such amounts are placed in banks with good reputation.

Currency risk

Certain group entities have foreign currency sales, which expose the Group to foreign currency risk. During the years ended 31 December 2008, 31 December 2009 and 31 December 2010, about 12%, 14% and 13% of the Group's sales respectively are denominated in currency other than the functional currency of the group entities. The group entities also have foreign currency purchases, which also expose the Group to foreign currency risk. During the years ended 31 December 2008, 2009 and 2010, about 41%, 17% and 5% of the Group's purchases are denominated in currencies other than the functional currency of the group entities making the purchase. The carrying amounts of relevant group entities' foreign currency denominated monetary assets and liabilities other than their functional currency for the Track Record Period are disclosed in respective notes.

Sensitivity analysis

The Group mainly exposes to currency of United States dollars ("US$"), Swiss Franc ("CHF") and Hong Kong dollars ("HK$"), which are arising from the relevant group entities' foreign currency denominated monetary assets and liabilities, for the Group's operating activities in Hong Kong and PRC. The following table details the Group's sensitivity to a 3% increase and decrease in HK$ against the relevant foreign currencies. Under the linked exchange rate system, the financial impact on exchange difference between HK$ and US$ will be immaterial and therefore no sensitivity analysis has been presented. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end of the reporting period for a 3% change in the foreign currency rates. The sensitivity analysis includes certain bank balances and trade and other payables which are exposed to foreign currency risk. A positive (negative) number below indicates an increase (decrease) in profit after taxation where HK$ strengthen 3% against the relevant foreign currencies. For a 3% weakening of HK$ against the relevant currencies, there would be an equal and opposite impact on the profit after taxation.

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
CHF	152	139	1
HK$	–	(24)	(349)

Liquidity risk management

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short and medium-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or less than 3 months	Over 3 months but not more than 1 year	Over 1 year	Total undis-counted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities						
At 31 December 2008						
Trade and other payables	–	32,013	–	–	32,013	32,013
Amount due to a director	–	55,624	–	–	55,624	55,624
Amounts due to related parties	–	29,164	–	–	29,164	29,164
Bank borrowings subject to a repayment on demand clause	4.94	36,437	–	–	36,437	36,437
Obligation under a finance lease	4.25	39	118	222	379	324
Financial guarantee contract *(note 30)*.	–	4,146	–	–	4,146	–
		157,423	118	222	157,763	153,562
At 31 December 2009						
Trade and other payables	–	34,860	–	–	34,860	34,860
Amount due to a director	–	24,976	–	–	24,976	24,976
Amounts due to related parties	–	80	–	–	80	80
Bank borrowings subject to a repayment on demand clause	5.15	69,052	–	–	69,052	69,052
Obligation under a finance lease	4.25	39	118	65	222	190
		129,007	118	65	129,190	129,158
At 31 December 2010						
Trade and other payables	–	56,115	–	–	56,115	56,115
Bank borrowings subject to a repayment on demand clause	3.06	139,474	–	–	139,474	139,474
Obligation under a finance lease	4.25	39	26	–	65	56
		195,628	26	–	195,654	195,645

The following table summarises the maturity analysis of the bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" or less than 3 months time band in the above maturity analysis. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such banks borrowings will be repaid in accordance with the scheduled repayment dates set out in the loans agreements.

	Less than 3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows
	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2008	24,024	3,961	8,958	36,943
31 December 2009	42,707	8,893	25,455	77,055
31 December 2010	49,219	22,474	75,720	147,413

Interest rate risk management

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged bank deposits, bank balances and bank borrowings at variable interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing pledged bank deposits, bank balances and bank borrowings at variable interest rates at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year. 25 basis points increase was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates. The management does not anticipate a decrease in interest rates in the next financial year having regard to the trends in HIBOR and The People's Bank of China Standard Loan Interest Rate. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

If interest rates on pledged bank deposits, bank balances and bank borrowings at variables interest rates had been 25 basis points higher and all other variables were held constant, the potential effect on profit after taxation for each year is as follows:

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Increase (decrease) in profit after taxation for the year	50	(72)	(195)

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transaction as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values at the end of each reporting period.

7. TURNOVER AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reporting segment focusing on manufacture and sale of watch bracelets, costume jewellery and accessories. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the chief operating decision makers (the "CODM") which is the Board of directors of the Company. The CODM regularly reviews revenue analysis by products, including watch bracelets, costume jewellery and accessories and by locations, including Switzerland, Hong Kong and other European and Asian countries. However, other than revenue analysis, no operating results and other discrete Financial Information is available for the assessment of performance of the respective products and locations. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single reporting segment is presented.

Turnover represents the fair value of the consideration received or receivable for goods sold to outside customers during the Track Record Period.

An analysis of the Group's turnover by products is as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Sales of			
– watch bracelets	242,457	180,855	308,008
– costume jewellery	76,763	67,480	69,500
– accessories	5,378	8,593	21,098
	324,598	256,928	398,606

Turnover from external customers, based on locations of customers attributed to the Group by geographical areas is as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Turnover			
– Switzerland	255,013	216,017	284,568
– Hong Kong	56,595	30,701	69,832
– Other European and Asian countries	12,990	10,210	44,206
	324,598	256,928	398,606

Revenues from customers of the corresponding year contributing over 10% of the total turnover of the Group are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Customer A[1]	193,285	148,901	218,682
Customer B[1]	51,990	24,884[3]	50,673
Customer C[2]	37,217	37,474	41,724

Notes:

1 Revenue from sales of watch bracelets.

2 Revenue from sales of costume jewellery and accessories.

3 The corresponding revenue did not contribute over 10% of total turnover of the Group.

Substantially all of the Group's non-current assets were located in the Mainland China amounting to HK$70,908,000, HK$71,297,000 and HK$127,312,000 for the year ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

8. OTHER INCOME

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Bank interest income	76	600	411
Imputed interest income from a deposit placed for a life insurance policy	–	–	39
Gain from sales of scrap	911	474	2,732
Management fee income *(note 34(i))*	–	–	345
Others	131	201	528
	1,118	1,275	4,055

9. OTHER LOSSES

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Bad debts written off	2,870	–	–
Loss on disposal of property, plant and equipment	3,070	1,379	27
Net foreign exchange loss	2,524	377	1,227
	8,464	1,756	1,254

10. FINANCE COSTS

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Interests on			
– bank borrowings wholly repayable within five years	528	2,958	4,877
– finance lease	23	23	23
	551	2,981	4,900

11. PROFIT BEFORE TAXATION

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Profit before taxation has been arrived at after charging:			
Directors' remuneration *(note 12)*	372	372	1,451
Other staff's retirement benefits scheme contributions	4,359	4,015	5,143
Other staff costs	71,697	66,288	87,399
	76,428	70,675	93,993
Auditors' remuneration	129	93	1,774
Cost of inventories recognised as expenses	192,700	151,050	218,226
Depreciation	11,999	6,647	6,515
Operating lease rentals in respect of			
– prepaid lease payments	149	150	153
– rented premises	402	402	627

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Directors' fees	–	–	–
Other emoluments to independent non-executive directors	–	–	–
Other emoluments to executive directors			
– salaries and other benefits	360	360	1,434
– bonus	–	–	–
– retirement benefits scheme contributions	12	12	17
	372	372	1,451

Details of emoluments paid by the Group to the directors are as follows:

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Executive directors			
Mr. Yiu			
– salaries and allowances	360	360	360
– bonus	–	–	–
– retirement benefits scheme contributions	12	12	12
	372	372	372

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Ms. Law			
– salaries and other benefits	–	–	–
– bonus	–	–	–
– retirement benefits scheme contributions	–	–	–
	–	–	–
Mr. Chau Kam Wing Donald			
– salaries and other benefits	–	–	464
– bonus	–	–	–
– retirement benefits scheme contributions	–	–	–
	–	–	464
Ms. Zhou Hui Elizabeth			
– salaries and other benefits	–	–	610
– bonus	–	–	–
– retirement benefits scheme contributions	–	–	5
	–	–	615
Non-Executive Directors			
Mr. Au Wai Ming			
– salaries and other benefits	–	–	–
– bonus	–	–	–
– retirement benefits scheme contributions	–	–	–
	–	–	–
Independent non-executive Directors			
Mr. Carson Wen			
– salaries and other benefits	–	–	–
– bonus	–	–	–
– retirement benefits scheme contributions	–	–	–
	–	–	–
Mr. Ma Weihua			
– salaries and other benefits	–	–	–
– bonus	–	–	–
– retirement benefits scheme contributions	–	–	–
	–	–	–

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Professor. Wong Lung Tak, Patrick			
– salaries and other benefits	–	–	–
– bonus	–	–	–
– retirement benefits scheme contributions	–	–	–
	–	–	–
Total	372	372	1,451

The five highest paid individuals included nil, nil and 1 director of the Company for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively, details of whose emoluments are included above. The emoluments of the remaining highest paid individuals during the Track Record Period were as follows:

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Employees			
– salaries and other benefits	3,003	2,714	1,916
– bonus	954	874	1,354
– retirement benefits scheme contributions	56	60	53
	4,013	3,648	3,323

The emoluments of the employees were within the following band:

	Number of employees		
	Year ended 31 December		
	2008	2009	2010
Below HK$1,000,000	5	4	3
HK$1,000,001 to HK$1,500,000	nil	1	1

During the Track Record Period, no emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the Track Record Period.

13. TAXATION

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
The charge comprises:			
Hong Kong Profits Tax	5,751	11,714	11,098
PRC EIT	–	–	6,169
	5,751	11,714	17,267
Deferred taxation *(note 28)*	5,418	(5,418)	–
	11,169	6,296	17,267

(i) Hong Kong Profits Tax

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

(ii) PRC EIT

On 16 March 2007, the PRC promulgated the Law on Enterprise Income Tax (the "**New EIT Law**") by Order No. 63 of the President of the PRC. On 6 December 2008, the State Council of the PRC issued Implementation Regulation of the EIT Law. Under the New EIT Law and Implementation Regulation, the statutory EIT rate of the group entities in the PRC has been reduced to 25% from 1 January 2008 onwards.

Notwithstanding the above, according to the approval granted by Dongguan State Administration of Taxation Office which under the old enterprise income tax system in the PRC, Winox WFOE is entitled to exemptions from the PRC EIT for two years commencing from its first profit-making year and thereafter entitled to a 50% relief from PRC EIT for the next three years (the "**Income Tax Holidays**"). According to Guofa [2007] No.39, the PRC enterprises which have started to enjoy the Income Tax Holidays before the effective date of the New EIT Law can continue to enjoy the remaining period of the Income Tax Holidays. For those PRC enterprises whose Income Tax Holidays has not yet started before the effective date of the New EIT Law, they are deemed to have started to enjoy them from 1 January 2008.

Tax charge for the Track Record Period is reconciled to profit before taxation as follows:

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Profit before taxation	72,668	58,464	108,246
Tax at the applicable income tax rate (16.5%)	11,990	9,647	17,861
Tax effect of expenses not deductible for tax purposes	820	1,136	1,218
Tax effect of income not taxable for tax purposes	(610)	–	–
Tax effect of tax losses not recognised	–	–	245
Tax effect of tax exemptions for a subsidiary	(1,562)	(6,798)	–
Tax effect of tax concessions for a subsidiary	–	–	(6,169)
Effect of different tax rates of subsidiaries operating in other jurisdictions	531	2,311	4,112
Tax charge for the year	11,169	6,296	17,267

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the combined profits for each reporting period during the Track Record Period and on the 375,000,000 shares in issue during these periods on the assumption that the Group Reorganisation and the capitalisation issue as disclosed in "Statutory and General Information" in Appendix VI to the Prospectus had been effective on 1 January 2008.

No dilutive earnings per share is presented as there were no potential dilutive shares during the Track Record Period.

15. DIVIDENDS

Except for certain subsidiaries of the Company distributed interim dividends totalling of HK$34,800,000 in 2009 and HK$29,320,000 in 2010 to their then shareholders prior to the Group Reorganisation, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or the Company since its incorporation.

The rates of dividend declared and the number of shares ranking for distribution are not presented as combined results are presented and such information is not meaningful having regard to the purpose of this report.

16. PROPERTY, PLANT AND EQUIPMENT

	Building	Plant and machinery	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 January 2008	38,633	104,552	19,889	15,137	2,377	1,391	181,979
Currency realignment	131	1,189	63	–	28	617	2,028
Additions	–	5,880	1,555	93	346	796	8,670
Disposals	–	(22,925)	(2,669)	(12,432)	(1,419)	–	(39,445)
Deemed disposals to owners of the Company (iii)	–	–	–	–	(404)	–	(404)
At 31 December 2008	38,764	88,696	18,838	2,798	928	2,804	152,828
Additions	–	5,234	593	–	335	3,942	10,104
Disposals	–	(1,960)	–	–	–	–	(1,960)
At 31 December 2009	38,764	91,970	19,431	2,798	1,263	6,746	160,972
Currency realignment	1,220	1,566	172	–	41	969	3,968
Additions	–	22,726	3,399	8	535	6,760	33,428
Transfer	10,770	1,574	–	–	–	(12,344)	–
Disposals	–	–	(47)	–	–	–	(47)
At 31 December 2010	50,754	117,836	22,955	2,806	1,839	2,131	198,321
DEPRECIATION							
At 1 January 2008	4,893	81,245	14,454	13,199	868	–	114,659
Currency realignment	390	97	11	–	3	–	501
Provided for the year	1,233	6,832	3,409	266	259	–	11,999
Eliminated on disposals	–	(22,780)	(2,286)	(10,741)	(568)	–	(36,375)
Deemed disposals to owners of the Company (iii)	–	–	–	–	(242)	–	(242)
At 31 December 2008	6,516	65,394	15,588	2,724	320	–	90,542
Provided for the year	1,248	3,903	1,324	19	153	–	6,647
Eliminated on disposals	–	(563)	–	–	–	–	(563)
At 31 December 2009	7,764	68,734	16,912	2,743	473	–	96,626
Currency realignment	328	248	35	–	9	–	620
Provided for the year	1,469	4,277	556	19	194	–	6,515
Eliminated on disposals	–	–	(20)	–	–	–	(20)
At 31 December 2010	9,561	73,259	17,483	2,762	676	–	103,741
NET BOOK VALUES							
At 31 December 2008	32,248	23,302	3,250	74	608	2,804	62,286
At 31 December 2009	31,000	23,236	2,519	55	790	6,746	64,346
At 31 December 2010	41,193	44,577	5,472	44	1,163	2,131	94,580

(i) At 31 December 2008, 31 December 2009 and 31 December 2010, the Group has pledged of its buildings situated in PRC with an aggregate carrying value of about HK$32,248,000, HK$31,000,000 and HK$41,193,000 respectively to a bank to secure the credit facilities granted to the Group.

(ii) At 31 December 2008, 31 December 2009 and 31 December 2010, the carrying value of motor vehicles includes an amount of HK$321,000, HK$214,000 and HK$107,000, respectively in respect of assets held under a finance lease.

(iii) As at 31 December 2008, motor vehicles with an aggregate carrying value of HK$162,000 was retained by the Predecessor Entity and had been reflected as deemed appropriations to the owners of the Company.

At 31 December 2010, the Group is in the process of obtaining the relevant property ownership certificates with respect to certain buildings situated in PRC with carrying values of HK$15,484,000.

Depreciation is provided to write off the cost of other property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	3.33%
Plant and machinery	10% - 25%
Furniture, fixtures and equipment	20%
Leasehold improvements	20%
Motor vehicles	20%

17. PREPAID LEASE PAYMENTS

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Carrying amount			
At 1 January	6,797	7,168	7,018
Currency realignment	520	–	261
Charged to profit or loss during the year	(149)	(150)	(153)
At 31 December	7,168	7,018	7,126
Comprising land use rights held under medium-term leases situated in PRC	7,168	7,018	7,126
Analysed for reporting purposes as:			
Current assets (included in trade and other receivables)	151	151	156
Non-current assets	7,017	6,867	6,970
	7,168	7,018	7,126

At 31 December 2008, 31 December 2009 and 31 December 2010, the Group has pledged its land use rights situated in PRC to a bank to secure the credit facilities granted to the Group.

18. DEPOSIT AND PREPAYMENTS FOR A LIFE INSURANCE POLICY

In September 2010, Winox Enterprise entered into a life insurance policy (the "Policy") with an insurance company to insure a director of the Company, Mr. Yiu. Under the Policy, the beneficiary and policy holder is Winox Enterprise and the total insured sum is US$4,000,000 (equivalent to HK$31,000,000).

The principal terms of the Policy are as follow:

(i) The Group is required to pay an upfront payment of US$744,000 (equivalent to HK$5,766,000) (the "Upfront Payment") and a single premium charge (the "Prepaid Premium") at inception of the policy amounting to US$56,000 (equivalent to HK$434,000).

(ii) The Group can terminate the policy at any time based on the net carrying value of the policy at the date of withdrawal, which is determined by the Upfront Payment, plus accumulated interest earned and minus the accumulated monthly policy expense charges (the "Policy Expense Charges").

(iii) If withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge (the "Surrender Charge").

(iv) The insurance company will pay the Group a guaranteed interest rate of 5% per annum on the outstanding net carrying value of the policy for the first insurance year. Commencing on the second insurance year, the guaranteed interest rate will become 3% per annum.

The directors of the Company expected that the Policy will be terminated at 7th policy year in 2017 (the "Withdrawal Date") and the surrender charge at the Withdrawal Date will be US$97,560 (equivalent to HK$756,000). The financial impact of the option to terminate the policy was considered as insignificant.

At initial recognition, the balance was splited into three components:

(i) An interest-bearing deposit (the "Deposit") amounting to US$398,000 (equivalent to HK$3,081,000) which based on the Upfront Payment less the prepayment of the accumulated Policy Expense Charges and the Surrender Charge at the Withdrawal Date (the "Prepaid Charges").

(ii) The Prepaid Charges amounted to US$346,000 (equivalent to HK$2,685,000).

(iii) The Prepaid Premium at inception of the policy amounted to US$56,000 (equivalent to HK$434,000).

The Deposit is carried at amortised cost with an effective interest rate of 5.00% per annum which based on the discounted future cash receipts through the expected life of the Policy. While the Premium Charges and the Prepaid Premium will be amortised to profit or loss through the expected life of the Policy.

The carrying values of the components at the end of the reporting period are set out below:

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Deposit	–	–	3,120
Prepaid Charges – non-current portion	–	–	2,205
Prepaid Premium – non-current portion	–	–	357
	–	–	5,682

During the year ended 31 December 2010, an imputed interest income of HK$39,000 and an amortisation of the prepaid insurance expenses (included the Prepaid Charges and Prepaid Premium) of HK$111,000 were recognised in the profit or loss.

As at 31 December 2010, the current portion of the Prepaid Charges amounting to HK$384,000 and the Prepaid Premium amounting to HK$62,000 were classified as current assets which were included in trade and other receivables.

As at 31 December 2010, the deposit and prepayment for a life insurance policy was pledged to a bank to secure general banking facilities granted to the Group.

The deposit and prepayment for a life insurance policy is denominated in US$, a currency other than the functional currency of Winox Enterprise.

19. INVENTORIES

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Raw materials	16,720	8,584	9,563
Work in progress	18,413	13,544	30,647
Finished goods	11,187	3,305	423
	46,320	25,433	40,633

20. TRADE AND OTHER RECEIVABLES

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Trade receivables	32,230	41,046	89,667
Prepayments and deposits	334	340	3,324
Prepaid lease payments charged within one year	151	151	156
Other tax recoverables	452	–	2,846
Others	330	243	1,615
	33,497	41,780	97,608

Payment terms with customers are mainly on credit. Invoices are normally payable 30 to 90 days by the customers from date of issuance. The following is an aged analysis of trade receivables at the end of each reporting period based on the invoice date:

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
0 to 30 days	14,182	23,456	46,182
31 to 60 days	6,993	6,577	42,866
61 to 90 days	9,014	5,094	446
Over 90 days	2,041	5,919	173
	32,230	41,046	89,667

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors considered that the trade receivables which are neither past due nor impaired to be of a good credit quality.

At 31 December 2008, 31 December 2009 and 31 December 2010, included in the Group's trade receivable balances are trade receivables with aggregate carrying amount of HK$12,784,000, HK$15,593,000 and HK$41,839,000 respectively which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired is as follows:

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Within 60 days	12,259	9,673	41,666
61 to 90 days	–	4,248	–
Over 90 days	525	1,672	173
	12,784	15,593	41,839

The directors of the Company anticipate a full recover of these amounts. The credit risk on the trade receivables has been further discussed in note 6.

Included in trade and other receivables are the following amounts denominated in currencies other than functional currency of the relevant group entities:

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
US$	8,118	11,438	11,069

21. AMOUNT DUE FROM A SHAREHOLDER

The amount due from a shareholder of the Company, Winholme Holdings Limited, was unsecured, interest-free and repayable on demand which was fully settled in 2010. The maximum amount outstanding for each of the three years ended 31 December 2010 was HK$nil, HK$241,000 and HK$241,000 respectively.

22. AMOUNTS DUE FROM (TO) RELATED PARTIES

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
(i) Details of amounts due from related parties are as follows:			
a) Outstanding amounts at the end of the reporting period			
博羅明豐置業有限公司 *(Note i)*	5,673	–	–
Max Long Development Limited *(Note i)*	–	1,701	–
Ming Fung International Company Limited *(Note ii)*	–	10,000	–
Ming Fung Real Estates Company Limited *(Note i)*	–	15,000	–
Ming Fung Investment Holdings Limited (formerly known as Harvest Ever (China) Limited) *(Note i)*	–	–	538
	5,673	26,701	538
b) Maximum outstanding amounts during the year			
博羅明豐置業有限公司 *(Note i)*	5,673	5,673	–
Max Long Development Limited *(Note i)*	–	1,701	1,701
Ming Fung International Company Limited *(Note ii)*	–	10,000	10,000
Ming Fung Real Estates Company Limited *(Note i)*	–	15,000	15,000
Ming Fung Investment Holdings Limited (formerly known as Harvest Ever (China) Limited) *(Note i)*	–	–	538
	5,673	32,374	27,239
(ii) Details of amounts due to related parties are as follows:			
The Predecessor Entity *(Note iii)*	27,335	–	–
Ming Fung Holdings (Hong Kong) Limited *(Note iv)*	1,829	80	–
	29,164	80	–

Notes:

i. The companies are controlled by Mr. Yiu, a director of the Company.

ii. The company is controlled by Mr. Mak Kin Man, one of the controlling parties of the Group.

iii. Save as disclosed in note 1, the amount of HK$27,335,000 due to the Predecessor Entity was included in the outstanding balance at 31 December 2008 and settled by the Group in 2009.

iv. The company is being ultimate holding company of the Company after the Group Reorganisation.

All amounts due from (to) related parties are unsecured, interest-free and repayable on demand.

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

The bank deposits and pledged bank deposits carry interest at the prevailing market rate of about 0.01% to 0.75%, 0.01% to 0.36% and 0.01% to 0.36% per annum for the years ended 31 December 2008, 2009 and 2010 respectively.

Pledged bank deposits amounting to HK$499,000, HK$124,000 and HK$nil at 31 December 2008, 2009 and 2010 respectively represent deposits pledged to banks to secure import and export of production materials and therefore classified as current assets.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entities.

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
HK$	–	814	13,304
US$	18,232	11,746	9,387

24. TRADE AND OTHER PAYABLES

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Trade payables	18,802	12,261	27,116
Payroll and welfare payables	8,451	11,654	16,807
Receipts in advances	1,780	3	4
Commission and other payables to intermediary agents	4,430	8,742	8,338
Payables for acquisition of property, plant and equipment	–	1,355	2,651
Other tax payables	–	462	–
Others	330	848	1,203
	33,793	35,325	56,119

The Group normally receives credit terms of 30 to 90 days from its suppliers. The following is an aged analysis of trade payables at the end of each reporting period based on invoice date:

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
0 to 30 days	4,643	4,911	9,177
31 to 60 days	4,295	4,090	10,112
61 to 90 days	3,595	1,560	4,133
Over 90 days	6,269	1,700	3,694
	18,802	12,261	27,116

Included in trade and other payables are the following amounts denominated in currencies other than functional currency of the relevant group entities:

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
US$	2,452	771	793
CHF	6,079	5,540	54

25. AMOUNT DUE TO A DIRECTOR

The amount due to a director of the Company, Mr. Yiu, was unsecured, interest-free and repayable on demand which was fully settled in 2010.

26. BANK BORROWINGS

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Bank borrowings	36,437	69,052	139,474
Secured	22,687	39,702	119,174
Unsecured	13,750	29,350	20,300
	36,437	69,052	139,474
Portion of bank borrowings due for repayment within one year	27,687	50,902	69,739
Portion of bank borrowings due for repayment after one year which contain a repayment on demand clause	8,750	18,150	69,735
	36,437	69,052	139,474

Carrying amount repayable based on repayment schedule:

Within one year	27,687	50,902	69,739
More than one year, but not exceeding two years	5,000	3,750	24,785
More than two years but not more than five years	3,750	14,400	44,950
	36,437	69,052	139,474

The bank borrowings carry variable interests at Hong Kong dollars prime rate less 1.75% to plus 1.00%, 1.00% to 2.75% over 1-month HIBOR, and 2.75% over The People's Bank of China Standard Loan Interest Rate.

At 31 December 2008, 31 December, 2009 and 31 December 2010, the range of effective interest rates on the variable rate bank borrowing are 2.13% to 7.60%, 2.13% to 7.30% and 1.15% to 7.80% per annum respectively.

At 31 December 2008, 31 December 2009 and 31 December 2010, the Group has unutilised banking facilities amounting to HK$2,000,000, HK$9,600,000 and HK$2,000,000 respectively.

The banking facilities were guaranteed by an unlimited personal guarantee from a director of the Company, Mr. Yiu for each of the three years ended 31 December 2010. In addition, certain banking facilities were secured by a piece of leasehold land located in PRC which owned by 博羅明豐置業有限公司, a company which controlled by Mr. Yiu, during the Track Record Period till March 2010.

27. OBLIGATION UNDER A FINANCE LEASE

	At 31 December					
	Minimum lease payments			Present value of minimum lease payments		
	2008	2009	2010	2008	2009	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts payable under a finance lease						
– within one year	157	157	65	134	134	56
– between one to two years	157	65	–	134	56	–
– between two to five years	65	–	–	56	–	–
	379	222	65	324	190	56
Less: Future finance charges	55	32	9	N/A	N/A	N/A
Present value of lease obligations	324	190	56	324	190	56
Less: Amounts due within one year shown under current liabilities				(134)	(134)	(56)
Amounts due after one year				190	56	–

The finance lease is for the purchase of a motor vehicle under hire purchase arrangement. The lease is carrying at a fixed interest rate at 4.25% per annum.

28. DEFERRED TAXATION

The following is the deferred taxation recognised and movements thereon during the Relevant Periods:

	Unrealised profits on inventories
	HK$'000
At 1 January 2008	–
Charged to profit or loss during the year	5,418
At 31 December 2008	5,418
Charged to profit or loss during the year	(5,418)
At 31 December 2009 and 31 December 2010	–

At 31 December 2008, 31 December 2009 and 31 December 2010, the Group had unused tax losses of about HK$nil, HK$nil and HK$980,000 respectively available to offset against future profits.

No deferred tax assets has been recognised in respect of these losses due to the unpredictability of future profit streams. These unrecognised tax losses will expire in 2015.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC Subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated distributable profits of a PRC subsidiary, Winox WFOE amounting to HK$48,000, HK$1,408,000 and HK$3,567,000 at 31 December 2008, 2009 and 2010 respectively, as the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. SHARE CAPITAL

The Company was incorporated and registered as an exempted company in the Cayman Islands on 28 January 2010 with an authorised share capital of US$50,000 divided into 50,000 shares of a nominal or par value of US$1 each. Upon incorporation of the Company, one share of US$1 (equivalent to HK$8) was issued and fully paid.

The share capital of the Group at 1 January 2008 represented the issued share capital of Glorify Land and 96% of the issued share capital of the Predecessor Entity.

The share capital of the Group at 31 December 2008 represented the issued share capital of Glorify Land.

The share capital of the Group at 31 December 2009 represented the issued share capital of Feng Cai and Glorify Land.

The share capital of the Group at 31 December 2010 represented the issued share capital of the Company, Feng Cai, Glorify Land and Winox BVI.

30. CONTINGENT LIABILITIES

In 2008, Winox Enterprise issued an unlimited financial guarantee to a bank in respect of banking facilities granted to the Predecessor Entity. At 31 December 2008, the Predecessor Entity had outstanding bank borrowings of HK$4,146,000 which were guaranteed entirely by Winox Enterprise. Such financial guarantee was released during the year ended 31 December 2009.

31. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Rented premises		
	At 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Within one year	–	402	2,404
In the second to fifth year inclusive	–	–	5,211
After five years	–	–	6,393
	–	402	14,008

Leases are negotiated and rentals are fixed originally for lease terms of 1 year to 50 years.

32. CAPITAL COMMITMENTS

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Capital expenditures contracted for but not provided in the financial statements in respect of the:			
acquisition of property, plant and equipment	9,903	2,770	6,517
acquisition of land use right	–	–	2,708
	9,903	2,770	9,225

33. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees but subject to a maximum amount of HK$ 1,000 per month for each employee.

The employees of the Group's subsidiaries in Mainland China are members of a state-managed retirement benefit plan operated by the government of Mainland China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

34. RELATED PARTIES TRANSACTIONS

(i) In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Group had entered into the following related party transactions during the Track Record Period:

	Year ended 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Continuing related party transactions:			
Management fee income received from Ming Fung Investment Holdings Limited (formerly known as Harvest Ever (China) Limited), a company controlled by Mr. Yiu, a director of the Company	–	–	345
Rental expense fee paid to Mr. Yiu, a director of the Company	–	402	402
Transportation service fee paid to Hong Kong Tong Fat Transportation Limited, a company controlled by a close family member of Mr. Yiu, a director of the Company	346	289	262
Discontinued related party transactions:			
Share of administrative expenses paid to Ming Fung Investment Holdings Limited (formerly known as Harvest Ever (China) Limited), a company controlled by Mr. Yiu, a director of the Company	1,071	1,086	1,181

(ii) Remuneration paid for key management personnel include solely the directors of the Company as disclosed in note 12.

The remuneration of directors and key executives is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

(iii) Save as disclosed in note 26, Mr. Yiu and 博羅明豐置業有限公司, a company controlled by Mr. Yiu, provided certain guarantee in favour of the Group as securities to a bank for the bank borrowings of the Group during the Track Record Period.

(iv) Save as disclosed in note 30, Winox Enterprise provided an unlimited financial guarantee in favor of the Predecessor Entity as securities to a bank for the bank borrowings of the Predecessor Entity for the year ended 31 December 2008 and 31 December 2009.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December 2010
	HK$'000
Current assets	
Prepayments	57
Amounts due from fellow subsidiaries	20
Bank balances and cash	10
	87
Current liabilities	
Amounts due to fellow subsidiaries	5,417
Net Liabilities	(5,330)
Capital and reserve	
Share capital *(Note)*	–
Deficit	(5,330)
Total equity	(5,330)

Note:

	Number of shares	**Amount**
		US$'000
Ordinary shares of US$1 each		
Authorised	50,000	50
Issued and fully paid		
On 28 January 2010 (date of incorporation) and 31 December 2010	1	–
		HK$'000
Shown in the statement of financial position of the Company at 31 December 2010		–

F. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate holding company is Ming Fung Investment Limited, a company which is incorporated in the British Virgin Islands. The ultimate holding company of the Company is Ming Fung Holdings (Hong Kong) Limited, a company which is incorporated in the British Virgin Islands.

G. SUBSEQUENT EVENTS

The following events took place subsequent to 31 December 2010:

(i) In January 2011, Glorify Land declared and paid an interim dividend of HK$8,800,000 for the year ended 31 December 2011 to its then shareholders.

(ii) In March 2011, due to change in business intention, the Group entered into an equity transfer agreement to dispose of a wholly-owned subsidiary, 盈新豐貴金屬製造(惠州)有限公司 ("Yingxinfeng WFOE"), which was established in PRC on 9 December 2010, for a total consideration of HK$10 to a related company controlled by Mr. Yiu, a director of the Company. As at 31 December 2010 and the date of disposal, Yingxinfeng WFOE had not commenced business and no capital fund was injected by the Group.

(iii) In preparing for the initial listing of the shares of the Company, the companies now comprising the Group underwent the Group Reorganisation to rationalise the group structure. As a result of the Group Reorganisation, the Company became the holding company of the Group on 11 March 2011.

(iv) The terms of certain bank borrowings of the Group which contain a repayment on demand clause of HK$43,793,000 included under current liabilities as at 31 December 2010 are revised and amended to repayment on demand at any time after 31 March 2013 at discretion of the bank with effect from May 2011.

H. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 31 December 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong