WINOX

Winox Holdings Limited
盈利時控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 6838

ANNUAL REPORT

2011

CONTENTS

CORPORATE INFORMATION AND KEY DATES

BOARD OF DIRECTORS
Yiu Hon Ming *(Chairman & Managing Director)*
Au Wai Ming# *(Deputy Chairman)*
Law Wai Ping
Chau Kam Wing Donald *(Finance Director)*
Ma Weihua*
Carson Wen*
Wong Lung Tak Patrick*

Non-Executive Director
* *Independent Non-Executive Director*

AUDIT COMMITTEE
Wong Lung Tak Patrick *(Chairman)*
Ma Weihua
Carson Wen

REMUNERATION COMMITTEE
Wong Lung Tak Patrick *(Chairman)*
Yiu Hon Ming
Ma Weihua
Carson Wen

NOMINATION COMMITTEE
Yiu Hon Ming *(Chairman)*
Ma Weihua
Carson Wen
Wong Lung Tak Patrick

COMPANY SECRETARY
Chan Miu Ting

AUDITORS
Deloitte Touche Tohmatsu

PRINCIPAL BANKER
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

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Hong Kong

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS
Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

INFORMATION OF SHARES

Place of Listing	:	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code	:	6838
Board Lot	:	2,000 shares
Financial Year End	:	31 December
Final dividend	:	HK 6 cents per ordinary share

KEY DATES

Closure of register of members for AGM	:	14 and 15 May 2012
Record date for voting at AGM	:	15 May 2012
Annual general meeting	:	15 May 2012
Closure of register of members for final dividend	:	21 May 2012
Record date for final dividend	:	21 May 2012
Final dividend payment date	:	30 May 2012

FINANCIAL HIGHLIGHTS

- The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 20 July 2011 with net proceeds of approximately HK$198,350,000.
- The Group's turnover amounted to HK$519,470,000, representing an increase of 30.3%.
- The Group's gross profit amounted to HK$224,600,000, representing an increase of 31.6%.
- The Group's net profit amounted to HK$112,885,000, representing an increase of 24.1%; excluding the non-recurring listing expenses amounting to HK$13,484,000 (2010: HK$5,240,000), adjusted net profit would amount to HK$126,369,000, representing an increase of 31.3%.
- Earnings per share amounted to HK 26.2 cents, representing an increase of 7.8%; excluding the non-recurring listing expenses amounting to HK$13,484,000, the adjusted earnings per share would amount to HK 29.30 cents, representing an increase of 14%.
- The board of directors of the Company recommends a final dividend for the year ended 31 December 2011 of HK 6 cents per ordinary share.

CHAIRMAN'S STATEMENT

MISSION

WE STRIVE TO SATISFY THE NEEDS OF CLIENTS AND PROVIDE QUALITY SERVICE TO THE BEST WE COULD BY PRODUCING PRODUCTS OF THE HIGHEST QUALITY IN A TIMELY AND COMPETITIVE FASHION.

Yiu Hon Ming
Chairman and Managing Director

Dear Shareholders,

On behalf of the Board of Directors of Winox Holdings Limited (the "Board"), I am pleased to present the Group's results for the financial year ended 31 December 2011.

The Group recorded an increase in turnover of 30.3% to HK$519,470,000 for 2011. Profit for the year of the Group was HK$112,885,000, and profit for the previous year was HK$90,979,000. The earnings per share for this year was HK 26.2 cent (2010: HK 24.3 cents).

The Board recommends a final dividend of HK 6 cents, and is subject to the approval of shareholders at the 2012 annual general meeting. Together with the interim dividends of HK 2 cents per share and HK 3 cents per share paid in October 2011 and January 2012 respectively, the total amount of dividend for the year 2011 is HK 11 cents per share.

BUSINESS

2011 was a special year to the Company. Looking back to where the Group started, we witness the transformation and development of Hong Kong industry. We started in the early 60s of the last century when we were merely a small factory producing watch bracelets in Hong Kong with around thirty workers. With the growth of the luxury watch markets in Europe and the United States, our production lines in Hong Kong were modernised with boosting production capacity during the 1960s and 1970s. In the 1980s, Hong Kong economy underwent a transformation, and in order to cope with the changes, we re-located our production facilities to the Pearl River Delta in Guangdong, China. After gaining a solid and sound business footing at the beginning of this century, we advanced our business through vigorous transformation and upgrading, and established a wholly Hong Kong-owned

CHAIRMAN'S STATEMENT

enterprise in China. In 2011, our remarkable business results achieved in the last couple years warranted our shares to be listed on the Main Board of The Stock Exchange of Hong Kong Limited, which symbolized a new chapter to the Group's history.

2011 was also a year with full of challenges and opportunities as well. The prospect of the global economy was dim and sovereign debt crises kept haunting the Euro area. Various countries, one after another, faced the pressure sourced from the downgrading of their respective credit rating and austerity measures. All these economic difficulties might lead to a reduction in consumption sentiment. Our customers, vast majority of which are internationally renowned brands, were inevitably affected by the economic downturn in Europe and the United States. Nevertheless, the economic development in Asia, especially China, remained strong. Rather than being upset by the global economy downturn, the demands for high-end commodities, in particular luxurious watches, kept rising.

Manufacturing and supplying stainless steel watch bracelets is our core business. Taking advantage of the high demand in commodities in Asia, particularly China, the Group's turnover increased 30.3% in 2011 as compared to 2010, and the Group achieved a double-digit growth in both turnover and profits. At the same time, the orders on hand by the end of February 2012 amounted to HK$355,663,000 which was satisfactory.

Apart from stainless steel watch bracelets, we noticed that stainless steel accessories were increasingly popular amongst consumers. This was due to, on the one hand, the continued rise in using environmental friendly materials by the internationally renowned brands; and on the other hand, more and more consumers were aware of the special features of stainless steel products, namely, superb quality yet in an affordable price. In view of this, the Group initiated business diversification a few years ago, and our expertise in stainless steel was progressively applied to producing other products, including costume jewellery and accessories, belt buckles and etc. Although the sales revenue and profits generated from these products could not match with those of watch bracelets at the moment, the orders and sales revenue showed a rising trend over the past few years. The recognition of stainless steel products and the trend of wearing stainless steel accessories in the market were evidenced. It is expected that stainless steel accessories will become the new growth engine of our business.

OUTLOOK

In mid-March this year, news which facilitated the Group to map out its business kept appearing. This included the economy in Europe has been provisionally stabilized in view of the solutions available to Greece's sovereign debts, the economy of the United States has showed signs of preliminary recovery, and the growth of China economy in 2012 has been targeted at 7.5%. To mobilise our resources in a more effective manner and to improve in terms of productivity, the Group will continue its ongoing exercise of strategically broaden our product portfolio, and to select and explore strong and potential customers.

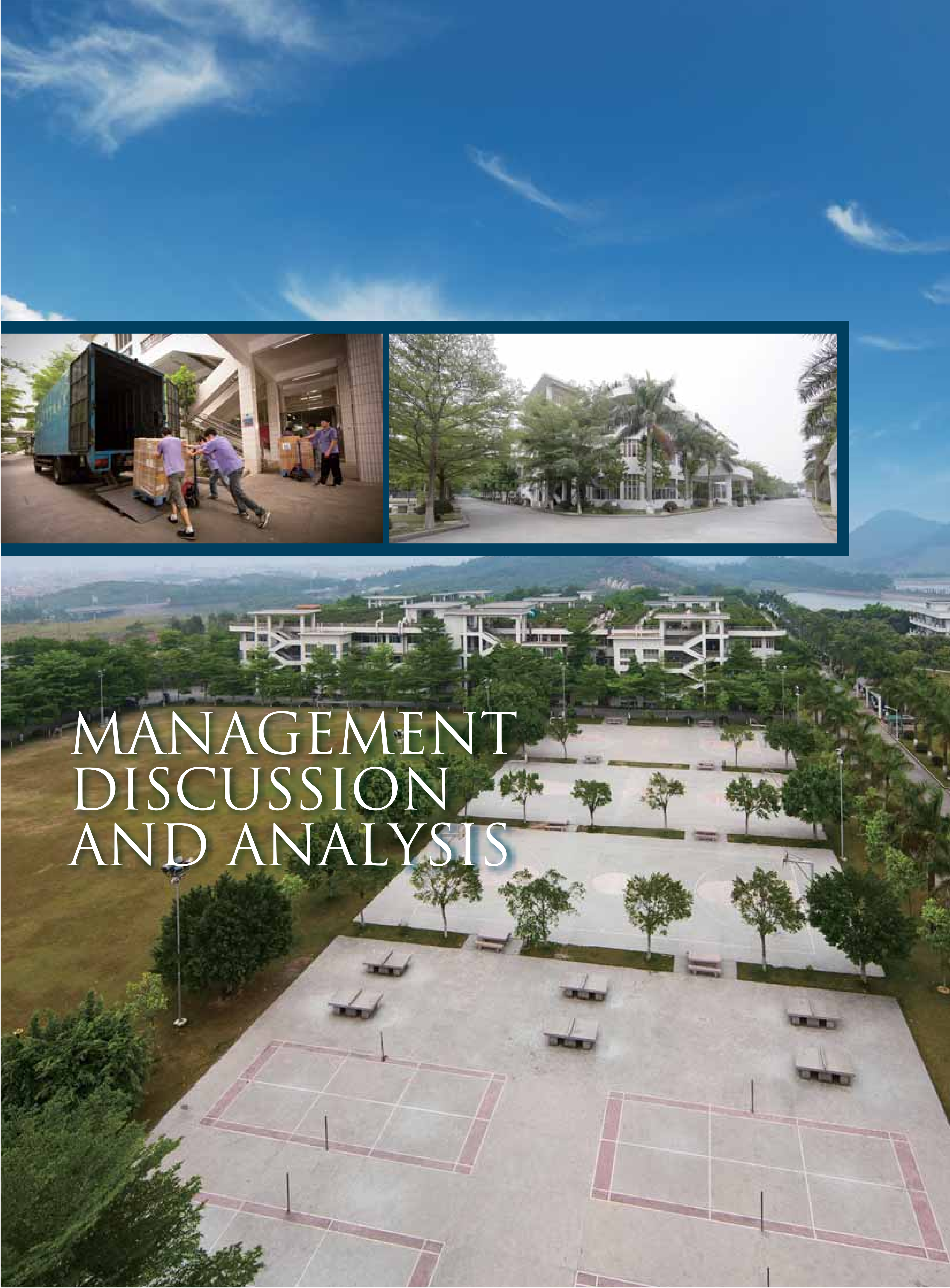
We are fully aware that we have to face enormous challenges and uncertainties in future, including the appreciation of Renminbi and the rise of labour costs in the mainland. We shall closely monitor the changes in the market, and initiate timely adjustment as appropriate. We shall ensure that each of our moves will be a solid step towards our destinated goal.

APPRECIATION

I would like to express my heartfelt gratitude to all our staff, in particular the senior staff members who lead the newcomers and facilitate the growth of the Group. It is hoped that all the staff will work together and contribute to the advance of the Group.

Yiu Hon Ming
Chairman and Managing Director

Hong Kong, 30 March 2012



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the continued rise in production costs, 2011 still proved to be a remarkable year to the Company as we recorded a double-digit growth in both turnover and profit, and our shares successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Manufacturing top grade stainless steel products is still our focus. Having been benefited from the buoyant China luxury watches retail market, watch bracelets products remained the biggest contributor to the Company's stream of income. Stainless steel bag accessories and belt buckles also saw a rising trend as our cooperation with our customers was increasingly matured and secured. The production of mobile phone related products started in the fourth quarter of 2011 and gradually gained its pace in view of a steady increase in potential customers. Nonetheless, the sale of costume jewellery was slightly below our expectation.

We also proceeded with our expansion plan in Huizhou by completing the renovation of our Dongfengcun factory. For the Huizhou Huzhen factory site, as at the date of this report, the requisite construction land quota for the acquisition of land for an area of initially 300 mu is still not yet granted and negotiation with local land administrative authorities for converting the Huizhou Huzhen factory site to state-owned land for industrial use was underway.

The application for the building ownership certificates for the three buildings in the Dongguan Dalang factory with defective titles is accepted by the relevant government authority. The Company will finalize the application and report the outcome of the issue to shareholders in due course.

The continued appreciation in Renminbi together with the increase in production costs, especially the labour costs, posed a tough operating environment to the Group. We shall continue to pay extra attention to the changes in external environment and strived to achieve better cost control and supply chain management so as to maintain a sustainable operating margin for the Group.

REVENUE

Turnover of our Group for 2011 amounted to HK$519,470,000 (2010: HK$398,606,000), representing an increase of 30.3% over the previous year. The turnover attributable to watch bracelets, costume jewellery, bag accessories and belt buckles, and mobile phone related products accounted for 81.9%, 10.6%, 7.0% and 0.5% of our revenue.

Watch bracelets recorded a growth of 38.0% in 2011 as compared to 2010 with turnover increased from HK$308,008,000 to HK$425,202,000. The growth was mainly derived from the strong demand for internationally renowned Swiss made watches not only in China but also in Asia as well. We catered to the demands of our customers with reliable quality, flexible design and manufacturing process, and on-time delivery. The well-established business relationships with our major customers enabled us to secure large volume of stable orders. Orders on hand for watch bracelets as at 29 February 2012 amounted to HK$286,839,000.

Turnover of costume jewellery decreased by 20.5% from HK$69,500,000 in 2010 to HK$55,255,000 in 2011. The drop in 2011 was due to the ongoing screening and selection of potential customers in order to establish a strong and quality customer base. The Group was able to further fasten our relationships with existing prominent customers who continued to place sizeable orders. Customers also inclined to use stainless steel in place of copper as the base material for costume jewellery to take advantage of the tarnish resistance, lower cost and anti-allergic properties of stainless steel. In the second half of 2011, resources have been devoted to develop new product samples of costume jewellery to customers and, up to 29 February 2012, the Group has already obtained orders on hand which worth a total of HK$60,185,000.

Turnover of bag accessories and belt buckles increased by 71.5% from HK$21,098,000 in 2010 to HK$36,185,000 in 2011. Orders on hand for this category of products amounted to HK$8,639,000 as at 29 February 2012.

Mobile phone related accessories commenced its production in the fourth quarter of 2011 with a turnover amounted to HK$2,828,000. As a new player in the market, the competition was keener than that we anticipated. Nevertheless, we will continue to explore the market and adjust our marketing strategy to build up our customer base.

PROFIT

The Group's consolidated net profit attributable to shareholders for the year increased by 24.1% to HK$112,885,000 (2010: HK$90,979,000). Basic earnings per share for the year was HK26.2 cents (2010: HK24.3 cents), an increase of 7.8% over last year. Excluding the non-recurring listing expenses amounting to HK$13,484,000 (2010: HK$5,240,000), the adjusted net profit for the year would amount to HK$126,369,000, an increase of 31.3% as compared to last year.

Gross profit for the year was HK$224,600,000 (2010: HK$170,670,000) representing an increase of 31.6% as compared to last year. Gross profit margin for the year also slightly increased to about 43.2% (2010: 42.8%) as a result of the continuing improvement in our production efficiency through economies of scale, rigorous cost control and supply chain management.

COST OF GOODS SOLD

Cost of goods sold included costs of production materials, labour and manufacturing overhead and other costs. The following table set forth the breakdowns of our cost of goods sold during the period:

	2011	2010
	HK$'000	HK$'000
Direct material costs	**110,945**	94,693
Direct labour costs	**121,491**	80,221
Manufacturing overhead and other costs	**62,434**	53,022
	294,870	227,936

The total cost of goods sold increased by approximately 29.4% from HK$227,936,000 in 2010 to HK$294,870,000 in 2011. The increase was tied up with the surge in turnover by 30.3%. The operation environment of the industry in China was getting tough with the appreciation in Renminbi and the continued rise in labour costs.

Costs of material and labour accounted for 37.6% and 41.2% of the total costs of goods sold for 2011 (2010: 41.5% and 35.2%) respectively. The disproportional increase of direct costs was mainly due to the substantial increase in minimum wage in Dongguan city from RMB920 to RMB1,100 effective from March 2011, an increase of 19.6%. The price of our major production materials such as stainless steel rods and stainless steel plates increased moderately. During the year, manufacturing overhead and other costs increased by 17.8% over last year, as compared to the 30.3% increase in turnover over the corresponding period in 2010.

The Group would, on the one hand, continue to monitor the direct production cost by imposing strict cost control measures, and on the other hand, adjust selling price of our products to absorb the increased cost.

OTHER INCOME

Other income for 2011 amounted to HK$5,618,000 (2010: HK$4,055,000) was primarily due to the gain on disposal of scrapped materials, management fee income and bank interest income during the year.

OTHER EXPENSES

Although selling and distribution expenses increased by 32.8% to HK$26,652,000 for 2011 as compared to HK$20,075,000 last year. The increase was a result of the economies of scale brought by the growth in turnover. Selling and distribution costs which only accounted for 5.1% (2010: 5.0%) of the total turnover in 2011, was slightly up by 0.1 percentage point over the previous year.

Administration expenses increased from HK$35,010,000 in 2010 to HK$51,244,000 in 2011. The overall administrative expenses to turnover ratio was 9.9% (2010: 8.8%), increased by 1.1 percentage point over last year. The difference was mainly due to the additional professional fees, and salaries and allowance of administration and management staff of the Group in connection with the day-to-day operations of the Company for its listing on the Stock Exchange.

A net amount of HK$42,636,000 bank loans has been repaid by the Group during the year. There was only a minor decrease in the finance costs from HK$4,900,000 for 2010 to HK$4,892,000 for 2011 due to the appreciation of Renminbi and the rise in interest rate.

INVENTORIES ANALYSIS

	31.12.2011	31.12.2010
	HK$'000	HK$'000
Raw materials	**11,836**	9,563
Work in progress	**66,201**	30,647
Finished goods	**7,992**	423
	86,029	40,633

As at 31 December 2011, the Group recorded an inventory balance of HK$86,029,000 (31 December 2010: HK$40,633,000), an increase of 111.7% as compared to 31 December 2010. The overall increase in inventories was mainly due to a significant increase in production volume. Inventory turnover for the year 2011 was 78.4 days as compared to 52.9 days in 2010.

TRADE RECEIVABLES

As at 31 December 2011, the Group recorded trade receivables balances of HK$69,734,000 (31 December 2010: HK$89,667,000). The decrease was mostly due to punctual payment of customers. Majority of our trade receivables represented the receivables from our customers. The credit periods granted to our customers was considered on a case-by-case basis ranging from 30 days to 90 days. Generally, no credit would be granted to new customers, short-term customers and customers with relatively small sales volume. As most of our customers are internationally renowned brand owners, the default risk faced by us is relatively minimal. Trade receivables turnover ratio of the Group for the years 2011 was 56.0 days (2010: 59.8 days).

TRADE PAYABLES

As at 31 December 2011, the Group recorded trade payables balances of HK$24,188,000 (31 December 2010: 27,116,000). Our trade payables mainly related to the purchase of raw materials from our suppliers with credit terms generally between 30 days to 60 days. Trade payables turnover ratio of the Group for the years 2011 was 31.8 days (2010: 31.5 days).

LIQUIDITY, INDEBTEDNESS AND CHARGES ON ASSETS

It is our plan to maintain sufficient cash to meet our working capital requirements and our expansion plan in Huizhou in the near future. The Group's net current assets as at 31 December 2011 was significantly improved from HK$2,598,000 as at 31 December 2010 to HK$264,590,000 as at 31 December 2011. The improvement in liquidity was mainly derived from the net proceeds of approximately HK$198,350,000 after deducting the expenses relating the share offer of the Company in July 2011.

The Group had cash and bank balances of approximately HK$245,881,000 (as at 31 December 2010: HK$61,793,000), of which 43.0% was in Hong Kong dollar, 0.1% was in Swiss Franc, 53.3% was in Renminbi and 3.6% was in the United States dollar.

The Group's outstanding bank borrowings as at 31 December 2011 was HK$96,838,000 (31 December 2010: HK$139,474,000), of which 72% was in Hong Kong dollar and 28% was in Renminbi, all carried floating interest rates. Of these outstanding borrowings, HK$71,059,000 and HK$25,779,000 was respectively classified as current liabilities and non-current liability in the consolidated statement of financial position as required under the Hong Kong Financial Reporting Standard. According to the terms of repayment of the bank loan agreements, HK$27,102,000 was short term revolving loan, HK$24,785,000 was loans repayable within one year and the balancing HK$44,951,000 was repayable after one year. Part of the bank loan was secured by certain of our Group's assets with an aggregate carrying value of HK$55,599,000 as at 31 December 2011. Those charged assets included the piece of land where our factory in Dongguan was located, certain properties located in our factory in Dongguan and deposits for two keyman life insurance policies.

The bank facilities were guaranteed by an unlimited personal guarantee from Mr. Yiu Hon Ming, the Chairman and Managing Director of the Company, for the year ended 31 December 2010. The unlimited personal guarantee from Mr. Yiu had been released by the relevant financial institutions in December 2011 and a corporate guarantee had been given by the Company in place of the said personal guarantee.

The Group's gearing ratio as at 31 December 2011, which was calculated on the basis of outstanding borrowings as a percentage of total assets of the Group, was 0.16 (as at 31 December 2010: 0.42).

TREASURY

The Group adopted conservative treasury policies in cash and financial management. The net proceeds from the share offer were mainly placed as short-term deposits with authorized financial institutions in Hong Kong. The Group's liquidity and financing requirements were reviewed regularly.

During the year, the Group's sales was mainly denominated in Hong Kong dollar, while the Group's foreign currency sales were mainly denominated in the United States dollar and Swiss Franc that contributed to the total turnover for the year of 5.1% and 3.8% respectively. Payments of the Group were mainly denominated in Renminbi. As Hong Kong dollar remained pegged to the United States dollar and the sales amount in Swiss Franc was not material, the Group had limited exposure in exchange rate fluctuation. Nonetheless, as the Group's production plants were located in mainland China, most of our labour costs and manufacturing overheads are denominated in Renminbi, the progressive appreciation in Renminbi might affect the overall cost of production and profitability of the Group.

During the year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2011. We would continue to monitor closely all possible exchange rate risks arising from the Group's existing operations and new investments in the future and would implement the necessary hedging arrangements to mitigate any significant foreign exchange risk when necessary.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Other than the group reorganization as disclosed in the Company's prospectus dated 30 June 2011, the Group had not acquired or disposed any subsidiaries or associated companies during the year.

USE OF PROCEEDS

The new proceeds raised from the share offer of the Company in July 2011 was approximately HK$198,350,000. The usages of net proceeds up to 31 December 2011 were as follows:

Particulars	**Planned amount** HK$	**Utilized amount** HK$	**Un-utilized amount** HK$
Financing the development of the Huzhen Factory	49,587,500	2,815,000	46,772,500
Acquiring equipment and machinery for the Dongfengcun Factory and Huzhen Factory and for expansion of the production facility of our existing facilities	128,927,500	15,034,000	113,893,500
General working capital and other general corporate purposes of our Group	19,835,000	19,835,000	–
TOTAL	198,350,000	37,684,000	160,666,000

The remaining net proceeds have been deposited on short-term basis in licensed financial institutions in Hong Kong.

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENT

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at 31 December 2011 were approximately HK$24,539,000, which was mainly related to the acquisition of items of property, plant and equipment. These capital commitments would be mainly financed by the net proceeds from the share offer.

Since the Company listed on the Stock Exchange, the Group did not have any significant investment.

CONTINGENT LIABILITIES

As at 31 December 2011 and 31 December 2010, other than corporate guarantee given by the Company for its wholly-owned subsidiaries as described above, the Group did not have any significant contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2011, the number of employees of the Group was about 3,542 (31 December 2010: about 3,100). Employees cost (including Directors' emoluments) amounted to about HK$151,601,000 for the year (2010: HK$93,993,000). Remuneration of the employees included salary and discretionary bonus which was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to all levels of personnel.

The Company had adopted a share option scheme to incentivize its senior management and employees. As at 31 December 2011, no options had been granted by the Company pursuant to the share option scheme.

PROSPECTS

Global economic growth is dimming as the financial turmoil in Europe has spread to developing and other high-income countries while growth in major developing countries such as China and India show signs of slowing down. Despite that, China and Asian luxury product markets seem unaffected by the global economic downturn. To meet with these challenges, the Group will continue its stringent cost optimization measures to maximize the productivity and to maintain a satisfactory return for its shareholders. The Group is well prepared and expects growth to continue in 2012. The management of the Group will cautiously monitor the operations of the Group to adapt itself to the challenging economic environment.

BIOGRAPHICAL INFORMATION OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS' PROFILE

Yiu Hon Ming

Chairman and Managing Director

Mr. Yiu Hon Ming, aged 53, is the Chairman and Managing Director of the Company. He was appointed as a Director of the Company on 28 January 2010. He is also a director of every subsidiary of our Company. Mr. Yiu is the founder of the Group and has over 28 years of experience in the metal product manufacturing industry. Mr. Yiu is responsible for the overall strategic development of the business as well as implementing our strategic objectives and business plans of the Group. He has also been operating board meetings and coordinating between the Directors, and providing leadership to the Board. Mr. Yiu has also founded other businesses which include real estate investment and development, and jewellery retail businesses. Mr. Yiu completed a business management course organized by 清華大學繼續教育學院 (The School of Continuing Education of Tsinghua University) in April 2007 and is currently a member of The Chinese People's Political Consultative Conference of Guangdong Province. Mr. Yiu is the husband of Ms. Law Wai Ping, an executive Director. Mr. Yiu also holds directorships in Ming Fung Investment Limited and Ming Fung Holdings (Hong Kong) Limited, which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. In the three years preceding the date of this report, Mr. Yiu did not hold any directorship in any other listed company.

Au Wai Ming

Deputy Chairman and Non-Executive Director

Mr. Au Wai Ming, aged 65, is the Deputy Chairman and a Non-Executive Director of the Company. He was appointed as a Director of the Company on 11 March 2011 and is also director of certain subsidiaries of the Company. Mr. Au pursued his studies at Harbin Institute of Engineering (哈爾濱工程學院) and graduated in August 1970. Mr. Au has had nearly forty years' experience in corporate development and management and has worked for 廣東粵海地產集團 (Guangdong Yuehai Property Group) as well as Hutchison Whampoa Properties Limited. He was an executive director of Guangdong Investment Limited (stock code: 270) for ten years and was the former chairman and managing director of Kingway Brewery Holdings Limited (stock code: 124), both of which are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Au has extensive experience in property development and management and has participated in the planning and development of well-known property projects such as Guangzhou Riverside Garden, Teem Plaza, Cape Coral and The Riverside. Mr. Au also holds directorships in certain companies controlled by the substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. In the three years preceding the date of this report, Mr. Au did not hold any directorship in any other listed company.

Law Wai Ping

Executive Director

Ms. Law Wai Ping, aged 47, is an Executive Director of the Company. She was appointed as a Director of the Company on 11 March 2011 and is also director of certain subsidiaries of the Company. Ms. Law has over 20 years of experience in the management of metal product business and is primarily responsible for our Group's corporate resources management and also partakes in formulating the development strategy of our Group. Ms. Law is the wife of Mr. Yiu Hon Ming, Chairman and Managing Director of the Company. Ms. Law also holds directorship in Ming Fung Holdings (Hong Kong) Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. In the three years preceding the date of this report, Ms. Law did not hold any directorship in any other listed company.

Chau Kam Wing Donald

Finance Director

Mr. Chau Kam Wing, Donald, aged 49, is the Finance Director of the Company. He was appointed as a Director of the Company on 11 March 2011 and is responsible for overseeing the financial management of the Group. Mr. Chau has over 20 years of experience in auditing, taxation and financial management and has been appointed as financial controller of a number of companies listed in Hong Kong. Mr. Chau obtained a master's degree in business administration from the University of San Francisco, the United States in December 2000. He became a fellow member of The Association of Chartered Certified Accountants in September 1999 and a practising member of the Hong Kong Institute of Certified Public Accountants in June 1994. Mr. Chau is an independent non-executive director of China Water Affairs Group Limited (stock code: 855), Carpenter Tan Holdings Limited (stock code: 837) and Zhejiang Shibao Company Limited (stock code: 1057), which are listed on the Main Board of the Stock Exchange. Mr. Chau is also an independent non-executive director of Eco-Tek Holdings Limited (stock code: 8169), which is listed on the Growth Enterprise Market of the Stock Exchange. He was an independent non-executive director of China Nonferrous Metals Company Limited (stock Code: 8306), which is listed on the Growth Enterprise Market of the Stock Exchange, from June 2008 to May 2011.

BIOGRAPHICAL INFORMATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Ma Weihua

Independent Non-Executive Director

Mr. Ma Weihua, aged 63 was appointed Independent Non-Executive Director of our Company on 24 June 2011. Mr. Ma has been appointed as the president and chief executive officer of China Merchants Bank Co., Ltd. (stock code: 3968) since January 1999 and as an executive director of China Merchants Bank Co., Ltd. since March 1999. Mr. Ma is a senior economist (高級經濟師) of the PRC and was awarded doctor of philosophy degree in economics from Southwest Finance and Economics University in 1999. He is a member of the Eleventh National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆全國委員會). He is also a director of 招商局集團有限公司 (China Merchants Group Ltd.), and is the chairman of the board of directors of each of 招商信諾人壽保險有限公司 (China Merchant Signa Life Insurance Co., Ltd.), 招商基金管理有限公司 (China Merchants Fund (CMF) Management Co., Ltd.) and Wing Lung Bank Limited (永隆銀行有限公司). Mr. Ma is currently an independent non-executive director of China Petroleum & Chemical Corporation (stock code: 386). Mr. Ma is also the vice chairman of 中國國際商會 (China Chamber of International Commerce), the executive deputy chairman of 中國企業家協會 (China Enterprise Directors Association), a member of the Standing Council of China Finance Academy, an executive council member of Red Cross Society of China (中國紅十字會) and a director of 深圳市綜研軟科學發展基金會 (Shenzhen Soft Science Development Foundation), and an adjunct professor at several higher educational institutions such as Peking University and Tsinghua University.

Carson Wen

Independent Non-Executive Director

Mr. Carson Wen, JP, aged 58, was appointed Independent Non-Executive Director of our Company on 24 June 2011. Mr. Wen is a practising solicitor and partner of Jones Day, a law firm in Hong Kong. He qualified as a solicitor in Hong Kong in May 1980 and has more than 30 years of experience in business, corporate and securities law.

Mr. Wen is a three-term Deputy to the National People's Congress representing Hong Kong. He is also a Justice of the Peace of Hong Kong and held various public service appointments in Mainland China and Hong Kong. He was awarded a Bronze Bauhinia Star by the Hong Kong SAR Government for his public contribution, in particular in the furthering of economic ties between Hong Kong, Mainland China and the rest of the world. He was a founding and executive committee member of the China Mergers and Acquisitions Association and sits on the board of numerous organisations, including the China Africa Business Council (Hong Kong), the Pacific Basin Economic Council and the Hong Kong Professional Consultants Association.

Mr. Wen obtained his bachelor of arts degree from Columbia University in May 1975, where he majored in economics, and a bachelor of arts and master of arts degree from Oxford University in July 1977 and August 1981 respectively, where he studied law. He was Younger Prizeman in law at Balliol College, Oxford in 1977. In the three years preceding the date of this report, Mr. Wen did not hold any directorship in any other listed company.

Wong Lung Tak Patrick

Independent Non-Executive Director

Professor Wong Lung Tak Patrick, BBS JP, aged 64, was appointed independent non-executive Director of our Company on 24 June 2011. Professor Wong is an associate of the Institute of Chartered Accountants in England and Wales, fellow of the Association of Certified Accountants in the UK, fellow of the Association of International Accountants, fellow of the Institute of Chartered Secretaries and Administrators in the UK, fellow of the Hong Kong Institute of Certified Public Accountants, fellow of the Taxation Institute of Hong Kong, as well as fellow of Hong Kong Institute of Company Secretaries. Professor Wong is a practicing certified public accountant in Hong Kong and has over 30 years of experience in the accountancy profession. He is the managing director of Wong Lam Leung & Kwok CPA Limited. Professor Wong was awarded a Badge of Honour by the Queen of England in 1993, and was appointed a Justice of the Peace in 1998 and also awarded Bronze Bauhinia Star by the Hong Kong government in 2010. He has been appointed Adjunct Professor, School of Accounting and Finance, The Hong Kong Polytechnic University since 2002. Professor Wong participates in many types of community services, holding posts in various organizations and committees in government and voluntary agencies. He is currently an independent non-executive director of CC Land Holdings Limited (stock code: 1224), China Precious Metal Resources Holdings Co., Ltd. (stock code: 1194), Galaxy Entertainment Group Limited (stock code: 27), Guangzhou Pharmaceutical Company Limited (stock code: 874), Real Nutriceutical Group Limited (formerly known as Ruinian International Limited) (stock code: 2010), Sino Oil and Gas Holdings Limited (stock code: 702) and Water Oasis Group Limited (stock code: 1161), the shares of which are listed on the Main Board of the Stock Exchange, and National Arts Holdings Limited (stock code: 8228), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

SENIOR MANAGEMENT PROFILE

Li Chin Keung

Chief Executive Officer

Mr. Li Chin Keung, aged 43, is the chief executive officer of the Company. He is also the general manager of Winox Enterprise Company Limited (“Winox Enterprise”) and 盈利時錶業(東莞)有限公司 (Winox Watch Manufactory (Dongguan) Limited) (“Winox WFOE”). Mr. Li joined Stelux Industries Limited in 1991 and held various positions during his tenure there including computer programmer, production material control manager, manager of operation department, assistant general manager and assistant manager of logistics department. Mr. Li joined the Group in 1999 and was responsible for the production and administrative work of the Group. He was the deputy general manager of Winox Manufacturing Company Limited for the period from October 1999 to March 2005. He took up the position as sales manager from the period from April 2005 to December 2007 and was responsible for the European jewellery and related accessories markets and successfully opened up the European leading brand market. Mr. Li was then transferred to Winox Enterprise as sales manager for the period from January 2008 to August 2008. For the period from August 2008 to June 2010, Mr. Li was appointed as assistant general manager of Winox Enterprise. In July 2010, he was promoted to the position of the general manager of Winox Enterprise and Winox WFOE and is responsible for the overall managerial work of the Group. Mr. Li graduated from The Hong Kong Polytechnic University with a diploma in industrial and operations management in November 1998 and is the holder of the Diploma in Computing Studies (Technical Applications) awarded by the Chai Wan Technical Institute of the Vocational Training Council in September 1991.

Chan Kai Ming

Head of Factory (Division B)

Mr. Chan Kai Ming, aged 57, is the Head of Factory (Division B) of Winox Enterprise and Winox WFOE and also partake the marketing issues of Winox Enterprise. Mr. Chan joined the Stelux Group in 1987 and joined our Group in 1999. Mr. Chan is mainly responsible for the management of our factories in China and the development and production of Swiss brand watch products as well as leading the Company for self innovation. Mr. Chan has over 35 years of experience in metal products manufacturing industry and holds a bachelor of science degree from The Hong Kong Polytechnic University which was awarded to him in November 2009.

Chan Miu Ting

Legal Counsel and Company Secretary

Ms. Chan Miu Ting, aged 47, is the Company’s legal counsel and company secretary. Ms. Chan joined the Group in August 2010 and is responsible for the legal and company secretarial issues of our Company. Ms. Chan served as the company secretary of Guangdong Tannery Limited (stock code: 1058) from 1996 to 2006 and has over 18 years of experience in corporation law, listing rules compliance, as well as corporate governance and compliance matters. Ms. Chan graduated from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) and was awarded Professional Diploma in Company Secretaryship and Administration in November 1987. Ms. Chan was conferred Juris Doctor from The University of Melbourne, Australia in December 2010, and was awarded Master of Business Administration from the University of Hong Kong in December 1999, and Higher Diploma in Business Studies from the City Polytechnic of Hong Kong in December 1994. Ms. Chan became an associate of both The Institute of Chartered Secretaries and Administrators in August 1990 and The Hong Kong Institute of Company Secretaries in August 1994.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The Group is principally engaged in the development and manufacturing of stainless steel products such as watch bracelets, costume jewellery, accessories, and mobile phone cases and accessories. The activities and particulars of the Group's principal subsidiaries are set out in Note 33 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity for the year ended 31 December 2011 is set out in Note 7 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 31 and in the accompanying notes to the consolidated financial statements.

The Board has resolved to recommend the payment of a final dividend of HK 6 cents per ordinary share for the year ended 31 December 2011, totalling HK$30,000,000 which is expected to be paid on 30 May 2012 to its shareholders whose names appear on the register of members of the Company on 21 May 2012 subject to the final approval in the annual general meeting to be held on 15 May 2012. Together with the interim dividends of HK 2 cents and HK 3 cents paid on 18 October 2011 and 5 January 2012, total distribution of dividend by the Company for the year ended 31 December 2011 will thus be HK 11 cents per ordinary share.

In order to qualify for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4.30 p.m. on Friday, 11 May 2012.

For the purpose of determining shareholders' entitlements to the final dividend, the register of members will be closed on Monday, 21 May 2012, and no transfer of shares will be registered on that date. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited not later than 4.30 p.m. on Friday, 18 May 2012.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity.

DONATIONS

During the year, the Group made charitable donations amounting to HK$1,052,000.

FIXED ASSETS

Details of movements in the property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

In connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 July 2011 (the "Listing Date"), the following alterations in the authorized and ordinary shares of the Company have been taken place during the year:

(a) on 10 March 2011, the one share of US$1.00 of the Company held by the director of the Company, Mr. Yiu Hon Ming, was repurchased by the Company at HK$7.80. On the same day, the authorised but unissued share capital of the Company was reduced by the cancellation of 50,000 shares of US$1.00 each;

(b) on 10 March 2011, the authorised share capital of the Company was increased by HK$400,000,000 divided into 4,000,000,000 ordinary shares of HK$0.10 each and 78 ordinary shares of HK$0.10 each were issued to Mr. Yiu Hon Ming at par value;

(c) on 11 March 2011, the Company issued 922 ordinary shares of HK$0.10 each to the existing shareholders of the Company as the consideration to acquire the share capital of the subsidiaries which underwent the Group reorganisation on that date;

(d) on 24 June 2011, the Company capitalised an amount of HK$37,499,900 standing to the credit of its reserves in paying-up in full 374,999,000 ordinary shares, which were allotted and issued to the existing shareholders of the Company prior to its listing on the Stock Exchange; and

(e) on 20 July 2011, 125,000,000 ordinary shares of HK$0.10 each of the Company were issued at HK$1.87 each by way of public share offering.

Details of movements in the share capital of the Company during the year are set out in Note 27 to the consolidated financial statements.

During the year, the Company did not issue any debentures.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Yiu Hon Ming *(Chairman & Managing Director)*	
Law Wai Ping	*(appointed on 11 March 2011)*
Chau Kam Wing Donald *(Finance Director)*	*(appointed on 11 March 2011)*
Zhou Hui Elizabeth	*(appointed on 11 March 2011 and resigned on 30 March 2012)*

Non-executive Director

Au Wai Ming *(Deputy Chairman)*	*(appointed on 11 March 2011)*

Independent Non-executive Directors

Ma Weihua	*(appointed on 24 June 2011)*
Carson Wen	*(appointed on 24 June 2011)*
Wong Lung Tak Patrick	*(appointed on 24 June 2011)*

In accordance with Article 84 of the Company's Articles of Association, Mr. Yiu Hon Ming, Mr. Au Wai Ming and Mr. Chau Kam Wing Donald will retire by rotation at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

Biographical details of the Directors and the senior management of the Group are set out on page 14.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group during the year under review are set out in Note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Since the Listing Date and up to the date of this report, to the best knowledge of the Directors, none of the Executive and Non-executive Directors and their respective associates was considered to have any interests in the businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as Directors to represent the interests of the Company and/or the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party and in which a Director of the Company had material interest, whether directly or indirectly, subsisted at the end of or at any time during the year, nor had there been any contract of significance entered into between the Group and a controlling shareholder of the Company or any of its subsidiaries since the Listing Date and up to 31 December 2011.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of the period since their appointment on 24 June 2011 to 31 December 2011. The Company considers all of the independent non-executive directors are independent.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme" below, at no time during the year was the Company, any subsidiaries or holding company of the Company or any subsidiaries of the Company's holding company, a party to any arrangements to enable the Directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was approved by Directors on 25 June 2011.

The purpose of the Share Option Scheme was to provide directors, officers, employees and consultants of any member of our Group (the "Participant(s)") to subscribe for the shares of the Company with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of our Company and its shareholders as a whole. The Share Option Scheme provided the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to Participants. The Share Option Scheme is administrated by the Board of Directors and the Remuneration Committee of the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10 per cent of the aggregate of the shares of the Company in issue. However, options which have lapsed shall not be counted in calculating the 10 per cent limit and the Company may refresh this 10 per cent limit with shareholders' approval provided that each such limit (as refreshed) may not exceed the 10 per cent of the shares of the Company in issue as of the date of the shareholders' approval. The total number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by our Company must not exceed 30 per cent of the shares of the Company in issue from time to time.

Unless approved by shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each Participant under the Share Option Scheme in any 12 month period must not exceed 1 per cent of the shares of the Company in issue. Each grant of options to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates shall be subject to the prior approval of the Independent Non-executive Directors. Where any grant of options to a substantial shareholder or an Independent Non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period: (a) representing in aggregate over 0.1 per cent of the shares of the Company then in issue; and (b) having an aggregate value in excess of HK$5 million, such grant of options shall be subject to prior approval by the Shareholders.

No offer shall be made and no option shall be granted to any Participant in circumstances prohibited by the Listing Rules at a time when the Participant would or might be prohibited from dealing in the shares of the Company by the Listing Rules or by any applicable rules, regulations or law.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant. No options may be granted under the Share Option Scheme on or after the date of the tenth anniversary of the adoption of the Share Option Scheme.

The amount payable upon acceptance of an option is HK$1.00. At the time of grant of the options, the Company may specify any minimum periods for which an option must be held before it can be exercised or any performance targets which must be achieved before the options can be exercised. The subscription price for the shares the subject of the options shall be no less than the higher of: (a) the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

The shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank *pari passu* with the fully paid shares in issue on the date the name of the Participant shall be registered on the register of members of the Company. Prior to the Participant being registered on the register of members of the Company, he shall not have any voting rights, or rights to participate in any dividends or distributions, in respect of the shares of the Company to be issued upon the exercise of the option.

As at 31 December 2011, no options have been granted by the Company under the Share Option Scheme.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

Interests and short position of Directors and the chief executive in the shares, underlying shares and debentures of our Company and its associated corporations

As at 31 December 2011, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Interests in the shares, underlying shares and debentures of the Company

Name of Director	Nature of interest	Class of securities *(Note 1)*	Amount of securities	Approximate percentage interest in the issued share capital of the Company
Yiu Hon Ming	Interest in a controlled corporation and interest of spouse *(Note 2)*	Ordinary shares (L)	330,000,000 shares	66%
Law Wai Ping	Interest in a controlled corporation and interest of spouse *(Note 3)*	Ordinary shares (L)	330,000,000 shares	66%

Notes:

1. The letter "L" denotes the person's long position in the relevant shares.

2. Mr. Yiu Hon Ming is the legal and beneficial owner of 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is the legal and beneficial owner of about 86.93% of the entire issued share capital of Ming Fung Investment Limited, and Ming Fung Investment Limited is the legal and beneficial owner of 330,000,000 shares. Mr. Yiu Hon Ming is the husband of Ms. Law Wai Ping, and thus, he is deemed to be interested in the same amount of shares in which Ms. Law Wai Ping is interested.

3. Ms. Law Wai Ping is the legal and beneficial owner of 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is the legal and beneficial owner of about 86.93% of the entire issued share capital of Ming Fung Investment Limited. Ms. Law Wai Ping is the wife of Mr. Yiu Hon Ming, and thus, she is deemed to be interested in the same amount of shares in which Mr. Yiu Hon Ming is interested.

Interests in the shares of associated corporations of the Company

Name of Director	Name of Associated Corporation	Nature of Interest	Approximate percentage interest in the issued share capital of associated corporations
Yiu Hon Ming *(Note 1)*	Ming Fung Holdings (Hong Kong) Limited	Beneficial interest and interest of spouse	60%
	Ming Fung Investment Limited	Interest in a controlled corporation	86.93%
Law Wai Ping *(Note 2)*	Ming Fung Holdings (Hong Kong) Limited	Beneficial interest and interest of spouse	40%
	Ming Fung Investment Limited	Interest in a controlled corporation	86.93%

Notes:

1. Mr. Yiu Hon Ming is the legal and beneficial owner of 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is the legal and beneficial owner about 86.93% of the entire issued share capital of Ming Fung Investment Limited.

2. Ms. Law Wai Ping is the legal and beneficial owner of 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is the legal and beneficial owner of about 86.93% of the entire issued share capital of Ming Fung Investment Limited.

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associate corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Interests and short positions of substantial shareholders in the shares or underlying shares of the Company

As at 31 December 2011, so far as is known to the Directors or the chief executive of the Company, the following persons (not being a Director or chief executive of our Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interest	Class of securities *(Note 1)*	Amount of securities	Approximate percentage interest in the issued share capital of the Company
Ming Fung Investment Limited	Beneficial owner	Ordinary shares (L)	330,000,000 shares	66%
Winholme Holdings Limited	Beneficial owner	Ordinary shares (L)	45,000,000 shares	9%
Ming Fung Holdings (Hong Kong) Limited	Interest in a controlled corporation *(Note 2)*	Ordinary shares (L)	330,000,000 shares	66%
Tang Wai Fong	Interest in a controlled corporation *(Note 3)*	Ordinary shares (L)	45,000,000 shares	9%
Chan Kai Ming	Interest in a controlled corporation *(Note 4)*	Ordinary shares (L)	45,000,000 shares	9%
Leung Wai Yin Edith	Interest of spouse *(Note 5)*	Ordinary shares (L)	45,000,000 shares	9%

Notes:

1. The letter "L" denotes the person's long position in the relevant shares.
2. Ming Fung Holdings (Hong Kong) Limited is the legal and beneficial owner of about 86.93% of the entire issued share capital of Ming Fung Investment Limited.
3. Ms. Tang Wai Fong is the legal and beneficial owner of about 41.67% of the entire issued share capital of Winholme Holdings Limited.
4. Mr. Chan Kai Ming is the legal and beneficial owner of about 33.33% of the entire issued share capital of Winholme Holdings Limited.
5. Ms. Leung Wai Yin Edith is the wife of Mr. Chan Kai Ming, and thus, she is deemed to be interested in the same amount of shares in which Mr. Chan Kai Ming is interested.

Save as disclosed above, as at 31 December 2011, the Directors were not aware of any person (not being a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of the annual report.

RELATED PARTIES TRANSACTIONS

Details of the Group's related parties transactions and continuing related parties transactions are set out in Note 31 to the consolidated financial statements. The purchase of staff quarters from Boluo Ming Fung Zhiye Limited, a company controlled by Mr. Yiu Hon Ming, was completed in February 2011.

GROUP'S BORROWINGS

Details of the Group's borrowings are set out in Note 24 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest customers of the Group accounted for about 84.9% of the total revenue of the Group and the largest customer accounted for about 59.9% of the total revenue.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for approximately 22.9% and 45.3% of the Group's total purchase for the year.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date and up to 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company. As at 31 December 2011, the Company had not been notified of any short positions being held by any substantial shareholder in shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CHANGES IN DIRECTORS' INFORMATION

Mr. Carson Wen, an Independent Non-executive Director of the Company, had ceased to be the Vice-Chairman of the Democratic Alliance for Betterment and Progress of Hong Kong. Apart from that, there is no information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE UNDER RULES 13.18 OF THE LISTING RULES

Certain banking facilities granted by a financial institution required Mr. Yiu Hon Ming, a director and a controlling shareholder of the Company, and his family to hold not less than 50% of the issued shares of the Company at any time during the term of the facilities. An aggregate amount of about HK$54,235,000 of the said banking facilities has been utilized by the Group as at 31 December 2011 and such outstanding balances shall be repaid by the Group by instalments for varying period of time from 24 February 2011. Such requirement as to the level of ownership in the Company imposed on the controlling shareholders under the financing arrangement result in the disclosure requirements under Rule 13.18 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-executive Directors, namely Professor Wong Lung Tak Patrick, Mr. Ma Weihua and Mr.Carson Wen. Professor Wong Lung Tak Patrick is the Chairman of the Audit Committee. The audited consolidated financial statements of the Group have been reviewed by the Audit Committee.

INDEPENDENT AUDITORS

During the year, Messrs. Deloitte Touche Tohmatsu was appointed as the auditors of the Company. A resolution will be proposed at the forthcoming Annual General Meeting for the re-appointment of Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

By Order of the Board
Yiu Hon Ming
Chairman and Managing Director

Hong Kong, 30 March 2012

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining high standards of corporate governance and believes that good corporate governance provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, maintain high standards of accountability and maximize shareholders' interests.

During the period from the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 July 2011 (the "Listing Date") to 31 December 2011 (the "Period"), the Company has applied the principles and was in compliance with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save and except for the following deviations:

Code Provision A.2.1

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the Period, the Company has not separated the roles of chairman and chief executive officer. Mr. Yiu Hon Ming is the Chairman and also Managing Director of the Company responsible for overseeing the operations of the Group. The board of directors (the "Board"), which meets regularly to consider major matters affecting the operations of the Group, considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. On the other hand, this structure is conducive to strong and consistent leadership, and enables the Group to operate efficiently.

The Company has also formulated its corporate governance policy (the "CG Policy") based on the CG Code. The CG Policy outlines certain essential corporate governance principles in accordance with the CG Code and intends to give appropriate guidance on how the corporate governance principles can be applied and promoted in the Company. The CG Policy is available on the Company's website.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all Directors confirmed that they had complied with the required standards of dealings as set out in the Model Code throughout the period from the Listing Date and up to the date of this report.

BOARD OF DIRECTORS

The Board guides and monitors the business and affairs of the Company on behalf of shareholders to whom they are responsible. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

There was in place a Directors' and Officers' Liabilities Insurance Cover in respect of any legal actions against the Directors and officers arising out of corporate activities.

Board Composition

The Board is currently composed of three Executive Directors, being Mr. Yiu Hon Ming (Chairman and Managing Director), Ms. Law Wai Ping and Mr. Chau Kam Wing Donald, one Non-Executive Director, being Mr. Au Wai Ming, and three Independent Non-Executive Directors, being Mr. Ma Weihua, Mr. Carson Wen and Professor Wong Lung Tak Patrick.

On 30 March 2012, Ms. Zhou Hui Elizabeth resigned as an Executive Director of the Company.

Board Proceedings

During the Period, the Board has held two scheduled meetings. The attendances of the Directors at the board meetings are set out as follows:

Directors	Number of Attendance
Yiu Hon Ming	2/2
Au Wai Ming	2/2
Law Wai Ping	2/2
Chau Kam Wing Donald	2/2
Ma Weihua	2/2
Carson Wen	2/2
Wong Lung Tak Patrick	2/2
Zhou Hui Elizabeth (resigned on 30 March 2012)	2/2

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances, whereas the day-to-day management of the Company is delegated to the management. Major corporate matters that are specifically reserved to the Board include but not limited to the followings:

- Formulating the Company's business strategies;
- Establishing corporate governance and internal control system;
- Monitoring performance of the management and providing guidance to the management.

The duties of the management include but not limited to the followings:

- The establishment and location of offices of any company in the Group.
- Execution of business strategies and initiatives adopted by the Board.
- Implementation of adequate internal control systems and risk management procedures.
- Compliance with relevant statutory requirements and rules and regulations.

The Company has received written confirmation of independence from the three Independent Non-Executive Directors, namely: Mr. Ma Weihua, Mr. Carson Wen and Professor Wong Lung Tak Patrick, in accordance with Rule 3.13 of the Listing Rules. The Board as well as the Nomination Committee have reviewed their independence and have concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

Mr. Yiu Hon Ming and Ms. Law Wai Ping are husband and wife. Apart from that, other Board members do not have any financial, business, family or other material/relevant relationships with each other. Biographical details of the directors, which demonstrates a diversity of skills, expertise, experience and qualifications in the Board, are set out in pages 14 and 15 to the annual report.

CHAIRMAN AND MANAGING DIRECTOR

As stated above, the Company has not separated the roles of chairman and chief executive office during the Period. Mr. Yiu Hon Ming is the Chairman and also Managing Director of the Company responsible for overseeing the operations of the Group.

NON-EXECUTIVE AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Non-Executive Director and Independent Non-Executive Directors of the Company are appointed to serve on the Board for a period of three years or until they become due to retire by rotation in accordance with the Articles of Association of the Company.

REMUNERATION OF DIRECTORS

The Company established a remuneration committee (the "Remuneration Committee") on 25 June 2011. Terms of Reference of the Remuneration Committee detailing the authority and duties of the Remuneration Committee are available on the Company's website.

The Remuneration Committee comprises the Company's Chairman and Managing Director, Mr. Yiu Hon Ming and three Independent Non-Executive Directors, being Mr. Ma Weihua, Mr. Carson Wen and Professor Wong Lung Tak Patrick. Professor Wong Lung Tak Patrick succeeded Mr. Yiu Hon Ming as the chairman of the Remuneration Committee on 30 March 2012.

Emoluments of the Directors as well as senior management shall be recommended by the Remuneration Committee and determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group. No Director should be involved in deciding his/her own remuneration.

The meeting of the Remuneration Committee shall be held at least once a year or when necessary. During the Period, the Remuneration Committee held one meeting to discuss the remuneration policy and annual remuneration package of each of the directors and senior management of the Company. The Remuneration Committee also reviewed and approved the 2011 performance bonus scheme of the Company. The attendance of each member of the Remuneration Committee during the Period is set out as follows:

Members	**Number of Attendance**
Yiu Hon Ming	1/1
Wong Lung Tak Patrick	1/1
Ma Weihua	1/1
Carson Wen	1/1

On 30 March 2012, the Remuneration Committee held a meeting to finalise the 2011 year-end bonus of the Directors and senior management. Mr. Yiu Hon Ming, Professor Wong Lung Tak Patrick and Mr. Carson Wen attended the meeting.

Details of the amount of directors' emoluments are set out in Note 12 to the consolidated financial statements.

NOMINATION OF DIRECTORS

The Company established a nomination committee (the "Nomination Committee") on 25 June 2011. Terms of Reference of the Nomination Committee detailing the authority and duties of the Nomination Committee are available on the Company's website.

The Nomination Committee comprises one Executive Director, being Mr. Yiu Hon Ming and three Independent Non-Executive Directors, being Mr. Ma Weihua, Mr. Carson Wen and Professor Wong Lung Tak Patrick. Mr. Yiu Hon Ming is the chairman of the Nomination Committee.

The Nomination Committee, with the aim to build up a strong and diverse Board, would identify suitable and qualified individuals, in particular those who can add value to the management through their expertise in relevant strategic business areas, to be the board members, and would recommend the Board on relevant matters relating to the appointment or re-appointment of Directors if necessary. Details of the procedure for shareholders to propose a person for election as a director of the Company are outlined in the "Director Nomination Procedure" which is available on the Company's website.

The Nomination Committee shall meet before the holding of each annual general meeting of the Company where the appointment of Directors of the Company will be considered. Additional meetings should be held as and when the work of the Nomination Committee demands. On 30 March 2012, the Nomination Committee held a meeting to review the composition of the Board, the policy for the nomination of Directors and the term of appointment of Non-executive Directors and to assess the independence of Independent Non-Executive Directors. Mr. Yiu Hon Ming, Mr. Carson Wen and Professor Wong Lung Tak Patrick attended the meeting of the Nomination Committee held on 30 March 2012.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 25 June 2011. Terms of Reference of the Audit Committee detailing the authority and duties of the Audit Committee are available on the Company's website.

The Audit Committee comprises the three Independent Non-Executive Directors, being Professor Wong Lung Tak Patrick, Mr. Ma Weihua and Mr. Carson Wen. Professor Wong Lung Tak Patrick, who possesses the required experience and knowledge in the accounting profession, is the chairman of the Audit Committee.

The meetings of the Audit Committee shall be held at least twice a year or when necessary. During the Period, the Audit Committee held a meeting to review the 2011 interim results of the Company before the same was submitted to the Board for consideration and approval.

Main duties of the Audit Committee include:

- Reviewing the accounting policies and supervising the Company's financial reporting process;
- Monitoring the performance of both the internal and external auditors;
- Reviewing and examining the effectiveness of internal control measures; and
- Ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements.

Members of the Audit Committee also met the external auditors once during the Period, without the presence of the management, to discuss any areas of concerns. The attendance of each member of the Audit Committee during the Period is set out as follows:

Members	**Number of Attendance**
Wong Lung Tak Patrick	1/1
Ma Weihua	1/1
Carson Wen	1/1

On 30 March 2012, the Audit Committee held a meeting to review the results of the Group for the year ended 31 December 2011 as well as the whistleblowing policy of the Company. Professor Wong Lung Tak Patrick and Mr. Carson Wen attended the meeting.

The Whistleblowing Policy provides employees with a channel and guidelines to report their concerns about misconduct, malpractice or impropriety within the Group. The Whistleblowing Policy is available on the Company's website.

INTERNAL CONTROL

The Company formed the Internal Audit Department and the Internal Control Committee. Together with the Audit Committee, these three bodies work together to ensure our Group's operations are in compliance with the Listing Rules, applicable laws, rules and regulations.

The Internal Audit Department consists of the Head of Internal Audit with one supporting staff. The Head of Internal Audit is a qualified accountant who possesses relevant auditing experience to monitor and oversee daily operation of internal control matters. The Department reports to the Audit Committee on a quarterly basis and recommends remedial plans for any internal control deficiencies identified. The Audit Committee shall give instructions to the Internal Control Committee for the implementation of any remedial plans should any deficiencies in internal control be identified.

The Internal Control Committee, which comprises the Managing Director, Chief Executive Officer and Head of Internal Audit, was formed in June 2011. The Internal Control Committee is responsible for the implementation of the remedial plans recommended by the Audit Committee to ensure our compliance with the Listing Rules and the relevant laws and regulations.

An external adviser will conduct an annual review on the Group's internal control procedures in 2012. The review will focus on a number of issues: the status of implementation of the recommended remedial actions in areas where deficiencies and weaknesses are identified; the effectiveness of our internal control measures; and the assurance of the standards and effectiveness of our corporate governance, operations and management are in compliance with the Listing Rules and the applicable laws and regulations.

The Company will disclose any material irregularities identified during such review, if any, in its interim and annual reports.

The Board is satisfied that the internal control system in place is reasonably effective and adequate and covers all material controls including financial, operational and compliance controls and risk management functions for the period from the Listing Date and up to the date of this report.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs. Deloitte Touche Tohmatsu is set out as follows:

Services rendered	**Fee paid/payable**
	HK$
Provision of accountants' report and advice on taxation in respect of Initial Public Offer	2,500,000
Advice on internal control report	380,000
Review of interim results	350,000
Audit of final results	1,200,000

COMPANY SECRETARY

Ms. Chan Miu Ting was appointed Company Secretary of the Company on 25 June 2011 and she is a full time employee of Winox Management Limited, a wholly-owned subsidiary of the Company.

SHAREHOLDERS' RIGHTS

Shareholders convening an extraordinary general meeting

Pursuant to article 58 of the Company's Articles of Association, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, shareholders may hold the extraordinary general meeting, and all reasonable expenses incurred by the shareholders as a result of the failure of the Board shall be reimbursed to the shareholders by the Company.

Shareholders' enquires and proposals

To foster regular and contribute two-way communications amongst the Company, its shareholders and potential investors, the Company Secretary of the Company is designated to respond to enquiries and proposals from the shareholders as well as the public. Shareholders' enquiries and proposals can be made via email at info@winox.com or by phone at 852 23493776. In addition, the Company is committed to maximizing the use of its website (www.winox.com) as a channel to provide updated information in a timely manner and to strengthen the communications with both the public and the shareholders. The Company has formulated the "Shareholders Communication Policy" which enables shareholders to exercise their rights in an informed manner. The Shareholders Communication Policy is available on the Company's website.

Publications of the Company's documents

The following documents of the Company are available on the Company's website for shareholders reference:

- Memorandum and Articles of Association
- Terms of Reference of Audit Committee
- Terms of Reference of Nomination Committee
- Terms of Reference of Remuneration Committee
- Corporate Governance Policy
- Director Nomination Procedure
- Shareholders Communication Policy
- Whistleblowing Policy
- List of Directors and their Role and Functions

OTHER SPECIFIC DISCLOSURES

During the Period, there are no changes in the Company's Memorandum and Articles of Association. An up-to-date consolidated version of the Company's Memorandum and Articles of Association are available on the Company's website.

The Directors have acknowledged their responsibility for preparing all information and representations contained in the consolidated financial statements of the Company for the year ended 31 December 2011.

The Directors consider that the consolidated financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Company on a going concern basis.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Winox Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 63, which comprise the consolidated statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Turnover	*7*	**519,470**	398,606
Cost of goods sold		**(294,870)**	(227,936)
Gross profit		**224,600**	170,670
Other income	*8*	**5,618**	4,055
Other gains and losses	*9*	**2,065**	(1,254)
Selling and distribution costs		**(26,652)**	(20,075)
Administrative expenses		**(51,244)**	(35,010)
Listing expenses		**(13,484)**	(5,240)
Finance costs	*10*	**(4,892)**	(4,900)
Profit before taxation	*11*	**136,011**	108,246
Taxation	*13*	**(23,126)**	(17,267)
Profit for the year		**112,885**	90,979
Other comprehensive income – exchange differences arising on translation		**9,270**	4,254
Total comprehensive income for the year		**122,155**	95,233
Earnings per share – Basic	*14*	**HK26.2 cents**	HK24.3 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**146,241**	94,580
Prepaid lease payments	*17*	**7,130**	6,970
Deposits for land use right		**22,369**	18,687
Deposits paid for acquisition of property, plant and equipment		**21,638**	7,443
Deposit and prepayments for a life insurance policy	*18*	**5,396**	5,682
		202,774	133,362
Current assets			
Inventories	*19*	**86,029**	40,633
Trade and other receivables	*20*	**85,929**	97,608
Amount due from a related party	*21*	**–**	538
Bank balances and cash	*22*	**245,881**	61,793
		417,839	200,572
Current liabilities			
Trade and other payables	*23*	**59,154**	56,119
Dividend payable		**15,000**	1,200
Taxation payable		**8,036**	1,125
Bank borrowings – amounts due within one year	*24*	**71,059**	139,474
Obligations under a finance lease	*25*	**–**	56
		153,249	197,974
Net current assets		**264,590**	2,598
Total assets less current liabilities		**467,364**	135,960
Non-current liability			
Bank borrowings – amounts due after one year	*24*	**25,779**	–
		441,585	135,960
Capital and reserves			
Share capital	*27*	**50,000**	1
Reserves		**391,585**	135,959
		441,585	135,960

The consolidated financial statements on pages 31 to 63 were approved and authorised for issue by the Board of Directors on 30 March 2012 and are signed on its behalf by:

Yiu Hon Ming
DIRECTOR

Law Wai Ping
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital HK$'000 *(note 27)*	**Share Premium** HK$'000	**Special reserve** HK$'000 *(Note a)*	**Translation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2010	–	–	4,800	2,655	62,591	70,046
Profit for the year	–	–	–	–	90,979	90,979
Other comprehensive income for the year	–	–	–	4,254	–	4,254
Total comprehensive income for the year	–	–	–	4,254	90,979	95,233
Issue of shares	1	–	–	–	–	1
Capitalisation of retained earnings *(note b)*	–	–	2,400	–	(2,400)	–
Dividend declared by a subsidiary	–	–	–	–	(29,320)	(29,320)
At 31 December 2010	1	–	7,200	6,909	121,850	135,960
Profit for the year	**–**	**–**	**–**	**–**	**112,885**	**112,885**
Other comprehensive income for the year	**–**	**–**	**–**	**9,270**	**–**	**9,270**
Total comprehensive income for the year	**–**	**–**	**–**	**9,270**	**112,885**	**122,155**
Dividend declared by a subsidiary	**–**	**–**	**–**	**–**	**(8,800)**	**(8,800)**
Dividends declared by the Company	**–**	**–**	**–**	**–**	**(25,000)**	**(25,000)**
Capitalisation issue by a subsidiary before the group reorganisation	**7**	**–**	**–**	**–**	**(7)**	**–**
Issue of shares by the Company upon group reorganisation *(note 27c)*	**–**	**45,974**	**–**	**–**	**–**	**45,974**
Elimination on group reorganisation	**(8)**	**–**	**(7,200)**	**–**	**(38,766)**	**(45,974)**
Capitalisation issue *(note 27d)*	**37,500**	**(37,500)**	**–**	**–**	**–**	**–**
Issue of shares by the Company on public share offering *(note 27e)*	**12,500**	**221,250**	**–**	**–**	**–**	**233,750**
Expenses incurred in connection with the issue of shares	**–**	**(16,480)**	**–**	**–**	**–**	**(16,480)**
At 31 December 2011	**50,000**	**213,244**	**–**	**16,179**	**162,162**	**441,585**

Notes:

(a) The special reserve represented 12% of the issued share capital of a subsidiary of the Company, Winox Enterprise Company Limited ("Winox Enterprise") which contributed by one of the shareholders of the Company directly before the group reorganisation. The reserve was being eliminated pursuant to the group reorganisation on 11 March 2011.

(b) 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit before taxation	**136,011**	108,246
Adjustments for:		
Interest income	**(517)**	(411)
Interest expenses	**4,892**	4,900
Depreciation	**8,734**	6,515
Release of prepaid lease payments	**160**	153
Loss on disposal of property, plant and equipment	**120**	27
Imputed interest income from deposit placed for a life insurance policy	**(160)**	(39)
Premium charges on a life insurance policy	**446**	111
Operating cash flows before movements in working capital	**149,686**	119,502
Increase in inventories	**(43,174)**	(14,228)
Decrease (increase) in trade and other receivables	**11,974**	(54,318)
(Decrease) increase in trade and other payables	**(1,707)**	19,923
Cash generated from operations	**116,779**	70,879
Income tax paid		
Hong Kong	**(10,506)**	(18,223)
PRC Enterprise Income Tax paid	**(5,850)**	(3,888)
Net cash from operating activities	**100,423**	48,768
Investing activities		
Interest received	**517**	411
Purchase of property, plant and equipment	**(44,158)**	(32,975)
Deposits paid for acquisition of property, plant and equipment	**(21,231)**	(7,443)
Deposits paid for land use right	**(2,660)**	(18,687)
Decrease in pledged bank deposits	**–**	124
Payment for a life insurance policy	**–**	(6,200)
Proceeds from disposal of property, plant and equipment	**217**	–
Advance made to a related party	**–**	(538)
Repayment from a related party	**538**	26,701
Repayment from a shareholder	**–**	241
Net cash used in investing activities	**(66,777)**	(38,366)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Financing activities		
Interest paid	**(4,892)**	(4,900)
Repayment of obligations under a finance lease	**(56)**	(134)
Bank borrowings raised	**10,535**	84,840
Repayment of bank borrowings	**(52,896)**	(15,919)
Repayments to a director	**–**	(24,976)
Repayments to related parties	**–**	(80)
Proceeds on issue of shares	**233,750**	1
Expenses incurred in connection with the issue of shares	**(16,480)**	–
Dividend paid	**(20,000)**	(28,120)
Net cash from financing activities	**149,961**	10,712
Net increase in cash and cash equivalents	**183,607**	21,114
Cash and cash equivalents at 1 January	**61,793**	40,232
Effect of foreign exchange rate changes	**481**	447
Cash and cash equivalents at 31 December, representing bank balances and cash	**245,881**	61,793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company is an exempted company incorporated in the Cayman Islands under the Companies Law of the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Ming Fung Holdings (Hong Kong) Limited, a company with limited liability incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report. The Company is an investment holding company. Its principal subsidiaries are engaged in the manufacturing and trading in stainless steel products.

In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent group reorganisation (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. Details of the Group Reorganisation are more fully explained in the section headed "Reorganisation" of the prospectus of the Company dated 30 June 2011 (the "Prospectus"). The Group resulting from the Group Reorganisation is regarded as a continuing entity under the common control of the controlling parties, who are disclosed in the Company's Prospectus, collectively prior to and after the Group Reorganisation, and that collective control is not transitory. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting under common control combination" issued by the HKICPA. The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the year ended 31 December 2011 and 31 December 2010 have been prepared on the basis as if the current group structure has been in existence throughout the years. The consolidated statement of financial position of the Group as at 31 December 2010 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the group structure has been in existence as at that date.

The shares of the Company are listed on the Stock Exchange on 20 July 2011.

The consolidated financial statements are 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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC*) – Int 14	Prepayments of a minimum funding requirement
HK (IFRIC*) – INT 19	Extinguishing financial liabilities with equity instruments

* *IFRIC represents the IFRS Interpretations Committee*

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax – Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK (SIC) – Int 12 "Consolidation – Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors of the Company consider that the application of these five standards will have no material impact on the results and the financial position of the Group.

Amendments to HKAS 1 presentation of items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The directors anticipate that the amendments to HKAS 1 will be adopted in the Group's consolidated financial statements for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other 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 consolidated financial statements have been prepared under the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements 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 years are included in the consolidated statement 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.

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

Common control combination

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

The comparative amounts in the consolidated financial statements are presented as if the group entities had been combined at the end of prior reporting period or when they first come under common control, which is the shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided 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.

Service income is recognised when services are provided.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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.

For the buildings where the cost of land cannot be reliably separated from the cost of land and buildings, the cost of land and buildings is treated as finance lease and depreciated on a straight-line basis over the estimated useful life of the buildings.

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 cost

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 in the consolidated 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 year. 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 the deposit for a life insurance policy, trade and other receivables, amount due from related party, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

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
- breach of contract, such as 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.

For financial assets measured at amortised cost, 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 loss 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 as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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 (including all fees and points paid or received that from an integral part of the effective interest rate, transaction costs and other premiums on discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 statement 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 consolidated financial statements 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 difference 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Current and 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 current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for the business combination, the tax effect is included in the accounting for the business combination.

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 consolidated financial statements, 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 consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. 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.

The following is the critical judgement, apart from those involving estimations, that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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.

5. 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 Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with the ordinary share 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.

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

	2011 **HK$'000**	2010 HK$'000
Loans and receivables (including cash and cash equivalents)	**326,740**	156,733
Financial liabilities		
Amortised cost	**170,737**	196,789

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, a deposit for a life insurance policy, trade and other payables, dividend payable and bank borrowings. 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 consolidated statements of financial position.

As at 31 December 2011, the Group has concentration of credit risk as 50%, (2010: 59%), and 81% (2010: 83%) respectively of the trade receivables was due from the Group's largest customer and the five largest customers respectively.

In order to minimise 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 bank balances is minimal as such amounts are placed in banks with good reputation.

Market risk

(i) Currency risk

Certain group entities have foreign currency sales, which expose the Group to foreign currency risk. During the years ended 31 December 2011, about 9%, (2010: 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 2011, about 17%, (2010: 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' the foreign currency denominated monetary assets and liabilities other than their functional currency for the year including trade and other receivables as disclosed in note 20, cash and cash equivalents as disclosed in note 22 and trade and other payables as disclosed in note 23.

Sensitivity analysis

The Group mainly exposes to currency of Renminbi ("RMB"), United States dollars ("US$"), Swiss Franc ("CHF") and Hong Kong dollars ("HK$"), which are arising from 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 the management assesses 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, trade and other receivables 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 or the functional currency of the relevant group entities. For a 3% weakening of HK$ against the relevant foreign currencies or the functional currency of the relevant group entities, there would be an equal and opposite impact on the profit after taxation.

	2011 **HK$'000**	2010 HK$'000
RMB	**(3,647)**	–
CHF	**139**	(13)
HK$	**88**	349

6. FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

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 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 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. 50 basis points (2010: 25 basis points) increase represents management's assessment of the reasonably possible change in interest rates. The management does not anticipate a decrease in interest rate 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 bank balances and bank borrowings at variable interest rates had been 50 basis points (2010: 25 basis points) higher and all other variables were held constant, the potential effect on profit after taxation for the year is as follows:

	2011 **HK$'000**	2010 HK$'000
Increase (decrease) in profit after taxation for the year	**745**	(195)

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** HK$'000	**Over 3 months but not more than 1 year** HK$'000	**Over 1 year** HK$'000	**Total undiscounted cash flows** HK$'000	**Carrying amount** HK$'000
At 31 December 2011						
Trade and other payables	**–**	**58,899**	**–**	**–**	**58,899**	**58,899**
Dividend payable	**–**	**15,000**	**–**	**–**	**15,000**	**15,000**
Bank borrowings subject to a repayment on demand clause at any time	**3.87**	**62,051**	**–**	**–**	**62,051**	**62,051**
Bank borrowings subject to a repayment on demand clause at any time after 31 March 2013	**2.34**	**2,443**	**7,253**	**25,919**	**35,615**	**34,787**
		138,393	**7,253**	**25,919**	**171,565**	**170,737**
At 31 December 2010						
Trade and other payables	–	56,115	–	–	56,115	56,115
Dividend payable	–	1,200	–	–	1,200	1,200
Bank borrowings subject to a repayment on demand clause at any time	3.06	139,474	–	–	139,474	139,474
		196,789	–	–	196,789	196,789

6. FINANCIAL INSTRUMENTS *(Continued)*

Liquidity risk management *(Continued)*

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 total undiscounted cash flows of bank borrowings 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 HK$'000	Over 3 months but not more than 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000
31 December 2011	**34,111**	**19,514**	**46,218**	**99,843**
31 December 2010	49,219	22,474	75,720	147,413

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.

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

7. TURNOVER AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reporting segment focusing on manufacture and trading of stainless steel products. 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"), who are the members of executive directors of the Company. The CODM regularly reviews revenue analysis by products, including watch bracelets, costume jewellery and accessories and others, and by locations of customers, 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 by respective products and locations of customers. The CODM reviews the results of the Group as a whole to make decisions. 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 year.

Turnover by products are as follows:

	2011 HK$'000	2010 HK$'000
Watch bracelets	**425,202**	308,008
Costume jewellery	**55,255**	69,500
Accessories and others	**39,013**	21,098
	519,470	398,606

7. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Switzerland	**371,334**	284,568
Hong Kong	**86,136**	69,832
Other European and Asian countries	**62,000**	44,206
	519,470	398,606

Turnover from customers of the corresponding year contributing over 10% (except otherwise stated) of the total turnover of the Group are as follows:

	2011 HK$'000	2010 HK$'000
Customer A[1]	**311,300**	218,682
Customer B[1]	**56,814**	50,673
Customer C[2]	**34,151**[3]	41,724

Notes:

1 Turnover from sales of watch bracelets
2 Turnover from sales of costume jewellery and accessories
3 The corresponding revenue did not contribute over 10% of total turnover of the Group

At 31 December 2011, substantially all non-current assets of the Group were located in the Mainland China amounting to HK$193,298,000 (2010: HK$127,312,000).

8. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Bank interest income	**517**	411
Imputed interest income from a deposit placed for a life insurance policy	**160**	39
Gain from sales of scrap	**2,311**	2,732
Administrative service fee received *(note 31(i))*	**2,061**	345
Others	**569**	528
	5,618	4,055

9. OTHER GAINS AND LOSSES

	2011 HK$'000	2010 HK$'000
Loss on disposal of property, plant and equipment	**(120)**	(27)
Net foreign exchange gains (losses)	**2,185**	(1,227)
	2,065	(1,254)

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interests on		
– bank borrowings wholly repayable within five years	**4,883**	4,877
– finance lease	**9**	23
	4,892	4,900

11. PROFIT BEFORE TAXATION

	2011 HK$'000	2010 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 12)*	**4,678**	1,451
Other staff's retirement benefits scheme contributions	**9,735**	5,143
Other staff costs	**137,188**	87,399
	151,601	93,993
Auditor's remuneration	**1,200**	1,774
Cost of inventories recognised as expenses	**281,817**	218,226
Depreciation	**8,734**	6,515
Release of prepaid lease payments	**160**	153
Operating lease rentals in respect of rented premises	**3,515**	627

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of directors during the year are analysed as follow:

	2011				2010			
	Fees HK$'000	Salaries and other benefit HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000	Fees HK$'000	Salaries and other benefit HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors								
Mr. Yiu Hon Ming ("Mr. Yiu")	–	1,040	12	1,052	–	360	12	372
Ms. Law Wai Ping	–	450	9	459	–	–	–	–
Mr. Chau Kam Wing Donald	–	804	9	813	–	464	–	464
Ms. Zhou Hui Elizabeth (resigned on 30 March 2012)	–	1,925	12	1,937	–	610	5	615
Non-executive directors								
Mr. Au Wai Ming	135	–	–	135	–	–	–	–
Independence non-executive directors								
Mr. Carson Wen	94	–	–	94	–	–	–	–
Mr. Ma Weihua	94	–	–	94	–	–	–	–
Professor Wong Lung Tak Patrick	94	–	–	94	–	–	–	–
Total emoluments	417	4,219	42	4,678	–	1,434	17	1,451

The five highest paid individuals included 2 directors of the Company for the years ended 31 December 2011 (2010: 1 director). Details of whose emoluments are included in above. The emoluments of the remaining highest paid individuals during the year are as follows:

	2011 HK$'000	2010 HK$'000
Employees		
– salaries and other benefits	2,384	1,916
– bonus	940	1,354
– retirement benefits scheme contributions	39	53
	3,363	3,323

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The emoluments of the employees were within the following band:

	2011	2010
Below HK$1,000,000	–	3
HK$1,000,001 to HK$1,500,000	**3**	1

During the year, 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 year.

13. TAXATION

	2011 HK$'000	2010 HK$'000
The charge comprises:		
Current tax – Hong Kong Profits Tax		
Current year	**14,435**	11,098
Underprovision in previous year	**12**	–
	14,447	11,098
Current tax – PRC Enterprise Income Tax ("PRC EIT")		
Current year	**8,679**	6,169
	23,126	17,267

(i) Hong Kong Profit Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year.

(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, a PRC subsidiary of the Group is entitled to exemptions from the PRC EIT for two years commencing from 2008 to 2009 and thereafter entitled to a 50% relief from PRC EIT for the next three years from 2010 to 2012 (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.

13. TAXATION *(Continued)*

Tax charge for the year is reconciled to profit before taxation as follows:

	2011 HK$'000	2010 HK$'000
Profit before taxation	**136,011**	108,246
Tax charge at the domestic income tax rate (16.5%)	**22,442**	17,861
Underprovision in previous year	**12**	–
Tax effect of expenses not deductible for tax purposes	**3,305**	1,218
Tax effect of tax losses not recognised	**674**	245
Tax effect of income not taxable for tax purposes	**(319)**	–
Tax effect of tax concessions for a subsidiary	**(8,434)**	(6,169)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**5,446**	4,112
Taxation for the year	**23,126**	17,267

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated profits attributable to owners of the Company and on the weighted average number at 431,352,459 (2010: 375,000,000) ordinary shares in issue during the year which is on the assumption that the Group Reorganisation and the capitalisation issue of 374,999,000 ordinary shares of HK$0.1 each of the company at par value on 24 June 2011 had been effective on 1 January 2010.

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

15. DIVIDENDS

In January 2011, a subsidiary of the Company, Glorify Land Management Limited ("Glorify Land"), declared and paid an interim dividend of HK$8,800,000 for the year ended 31 December 2011 to its then shareholders prior to the Group Reorganisation.

On 27 August 2011 and 4 December 2011, the board of directors of the Company has resolved to declare interim dividends of HK2 cents and HK3 cents per ordinary share totalling HK$10,000,000 and HK$15,000,000 respectively.

On 30 March 2012, a final dividend of HK 6 cents in respect of the year ended 31 December 2011 per ordinary share, totalling HK$30,000,000, was proposed by the board of directors of the Company. The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

Dividends in 2010 represented an interim dividends totalling of HK$29,320,000 declared by certain subsidiaries of the Company to their then shareholders prior to the Group Reorganisation.

16. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2010	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**
Currency realignment	**2,527**	**3,112**	**323**	**–**	**79**	**181**	**6,222**
Additions	**7,205**	**35,529**	**3,745**	**2,652**	**885**	**5,349**	**55,365**
Transfer	**943**	**–**	**464**	**–**	**–**	**(1,407)**	**–**
Disposals	**–**	**(509)**	**(90)**	**–**	**–**	**–**	**(599)**
At 31 December 2011	**61,429**	**155,968**	**27,397**	**5,458**	**2,803**	**6,254**	**259,309**
DEPRECIATION							
At 1 January 2010	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**
Currency realignment	**477**	**291**	**73**	**–**	**14**	**–**	**855**
Provided for the year	**1,573**	**5,556**	**1,115**	**241**	**249**	**–**	**8,734**
Eliminated on disposals	**–**	**(201)**	**(61)**	**–**	**–**	**–**	**(262)**
At 31 December 2011	**11,611**	**78,905**	**18,610**	**3,003**	**939**	**–**	**113,068**
NET BOOK VALUES							
At 31 December 2011	**49,818**	**77,063**	**8,787**	**2,455**	**1,864**	**6,254**	**146,241**
At 31 December 2010	41,193	44,577	5,472	44	1,163	2,131	94,580

The carrying values at buildings shown above are situated on land under the following lease term:

	2011 HK$'000	2010 HK$'000
Buildings in PRC		
– Medium-term lease	**49,818**	41,193

At 31 December 2011, the Group has pledged certain of its buildings situated in PRC with an aggregate carrying value of about HK$42,464,000, (2010: HK$41,193,000) to a bank to secure the credit facilities granted to the Group.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 December 2011, the Group is in the process of obtaining the relevant building ownership certificates with respect to certain buildings situated in PRC with carrying values of HK$15,668,000 (2010: HK$15,484,000).

Depreciation is provided to write off the cost of 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%
Plant and machinery	10% – 25%
Furniture, fixtures and equipment	10% – 20%
Leasehold improvements	20%
Motor vehicles	20%

17. PREPAID LEASE PAYMENTS

	2011 **HK$'000**	2010 HK$'000
Carrying amount		
At 1 January	**7,126**	7,018
Currency realignment	**328**	261
Released to profit or loss	**(160)**	(153)
At 31 December	**7,294**	7,126
Comprising land use rights held under medium-term leases situated in PRC	**7,294**	7,126
Analysed for reporting purposes as:		
Current assets (included in trade and other receivables)	**164**	156
Non-current assets	**7,130**	6,970
	7,294	7,126

At the end of both reporting periods, 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, a subsidiary of the Company entered into a life insurance policy (the "Policy") to insure a director of the Company, Mr. Yiu. Under the Policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is US$4,000,000 (equivalent to HK$31,000,000). At inception of the Policy, the Group paid an upfront payment of US$800,000 (equivalent to HK$6,200,000). The Group will receive cash back based on the net nominal account value of the Policy at the date of withdrawal. The Group receives an interest at interest rates guaranteed by the insurer.

The directors of the Company expected that the Policy will be terminated at 7th policy year in 2017 and there will be a specified surrender charge of US$97,560 (equivalent to HK$756,000) in accordance with the Policy. The expected life of the Policy was remained unchanged from the initial recognition and the directors of the Company considered that the financial impact of the option to terminate the policy was not significant.

The effective interest rate of the deposit is 5.00% which was determined on initial recognition by discounting the estimated future cash receipts through the expected life of the Policy of 7 years.

At the end of both reporting periods, the life insurance policy was pledged to a bank to secure general banking facilities granted to the Group.

The deposit placed for a life insurance policy is denominated in US$, a currency other than the functional currency of the relevant group entity.

19. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	**11,836**	9,563
Work in progress	**66,201**	30,647
Finished goods	**7,992**	423
	86,029	40,633

20. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	**69,734**	89,667
Bill receivables	**3,017**	–
Prepayments and deposits	**3,713**	3,324
Prepaid lease payments	**164**	156
VAT receivables	**6,589**	2,846
Others	**2,712**	1,615
	85,929	97,608

Payment terms with customers are mainly on credit. Invoices are normally payable in 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:

	2011 HK$'000	2010 HK$'000
0 to 30 days	**56,901**	46,182
31 to 60 days	**10,733**	42,866
61 to 90 days	**1,327**	446
Over 90 days	**773**	173
	69,734	89,667

All bill receivables of the Group are aged within 30 days at the reporting date.

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 that are neither past due nor impaired have a good credit quality.

At 31 December 2011, included in the Group's trade receivable balances are trade receivables with aggregate carrying amount of HK$9,652,000 (2010: HK$41,839,000) 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.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Overdue:		
Within 60 days	**9,107**	41,666
61 to 90 days	**485**	–
Over 90 days	**60**	173
	9,652	41,839

The directors of the Company anticipate a full recovery of these amounts. The credit risk on the trade receivables has been 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.

	2011 HK$'000	2010 HK$'000
US$	**2,408**	11,069
CHF	**2,053**	–

21. AMOUNT DUE FROM A RELATED PARTY

The amount due from a related party which the company controlled by Mr. Yiu, a director of the Company, was unsecured, interest-free and repayable on demand.

22. BANK BALANCES AND CASH

The bank deposits carry interest at the prevailing market rate of about 0.01% to 1.1% per annum for the years ended 31 December 2011 (2010: 0.01% to 0.36%).

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

	2011 HK$'000	2010 HK$'000
RMB	**121,564**	–
HK$	**3,352**	13,304
US$	**8,708**	9,387
CHF	**346**	474

23. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	HK$'000
Trade payables	**24,188**	27,116
Payroll and welfare payable	**12,891**	16,807
Commissions and other payable to intermediary agents	**10,962**	8,338
Payables for acquisition of property, plant and equipment	**6,415**	2,651
Others	**4,698**	1,207
	59,154	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 the reporting period based on invoice date:

	2011	2010
	HK$'000	HK$'000
Age		
0 to 30 days	**9,427**	9,177
31 to 60 days	**9,975**	10,112
61 to 90 days	**2,912**	4,133
Over 90 days	**1,874**	3,694
	24,188	27,116

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

	2011	2010
	HK$'000	HK$'000
US$	**1,801**	793
CHF	**7,964**	54

24. BANK BORROWINGS

	2011 HK$'000	2010 HK$'000
Bank borrowings	**96,838**	139,474
Secured	**81,338**	119,174
Unsecured	**15,500**	20,300
	96,838	139,474
Carrying amount of bank borrowings that contain:		
– a repayment on demand clause at any time	**62,051**	139,474
– a repayment on demand clause at any time after 31 March 2013	**34,787**	–
	96,838	139,474
Less: Amounts due within one year shown under current liabilities	**(71,059)**	(139,474)
Amounts due after one year shown under non-current liabilities	**25,779**	–
Carrying amount repayable based on repayment schedule:		
Within one year	**51,887**	69,739
More than one year, but not exceeding two years	**18,535**	24,785
More than two years but not more than five years	**26,416**	44,950
	96,838	139,474

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

At 31 December 2011, the range of effective interest rates on the variable rate bank borrowing are 1.1% to 8.85% per annum (2010: 1.15% to 7.80%).

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. At 31 December 2011, HK$25,779,000 of these bank borrowings are classified as non-current liabilities.

25. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Amounts payable under a finance lease				
– within one year	–	65	–	56
– between one to two years	–	–	–	–
– between two to five years	–	–	–	–
	–	65	–	56
Less: Future finance charges	–	9	**N/A**	N/A
Present value of lease obligations	–	56	–	56
Less: Amounts due within one year shown under current liabilities			–	(56)
Amounts due after one year			–	–

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

26. DEFERRED TAXATION

At 31 December 2011, the Group had unused tax losses of about HK$2,696,000 (2010: HK$980,000) 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. The unrecognised tax losses of HK$980,000 (2010: HK$980,000) and HK$1,716,000 (2010: HK$Nil) will expire in 2015 and 2016 respectively.

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 in respect of temporary differences attributable to accumulated distributable profits of a subsidiary in PRC amounting to HK$6,510,000 (2010: HK$3,567,000) at 31 December 2011, 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.

27. SHARE CAPITAL

The share capital of the Group at 1 January 2010 represented the aggregate issued share capital of the subsidiaries of Feng Cai Limited ("Feng Cai") and Glorify Land.

The share capital of the Group at 31 December 2010 represented the aggregate issued share capital of the Company and the subsidiaries of the Company, Feng Cai, Glorify Land and Winox Holdings Limited (BVI).

Movements in the authorised and issued capital of the Company during the year are as follows:

	Number of shares	Amounts HK$
Authorised:		
At the date of incorporation and 31 December 2010	50,000	390,000
Share cancelled on 10 March 2011	(50,000)	(390,000)
Increased pursuant to the Group Reorganisation	4,000,000,000	400,000,000
At 31 December 2011	**4,000,000,000**	**400,000,000**
Ordinary shares, issued and fully paid:		
At the date of incorporation and 31 December 2010	1	8
Share repurchased and cancelled on 10 March 2011	(1)	(8)
Issued pursuant to the Group Reorganisation	1,000	100
Issued by capitalisation of share premium account	374,999,000	37,499,900
Issued pursuant to the public share offering	125,000,000	12,500,000
At 31 December 2011	**500,000,000**	**50,000,000**

In connection with the Group Reorganisation, the following alterations in the authorised and ordinary shares of the Company have taken place since its date of incorporation to the end of the reporting period:

(a) on 10 March 2011, the one share of US$1.00 of the Company held by the director of the Company, Mr. Yiu, was repurchased by the Company at HK$7.80. On the same day, the authorised but unissued share capital of the Company was reduced by the cancellation of 50,000 shares of US$1.00 each;

(b) on 10 March 2011, the authorised share capital of the Company was increased by HK$400,000,000 divided into 4,000,000,000 ordinary shares of HK$0.10 each and 78 ordinary shares of HK$0.10 each were issued to Mr. Yiu at par value;

(c) on 11 March 2011, the Company issued 922 ordinary shares of HK$0.10 each to the existing shareholders of the Company as the consideration to acquire the share capital of the subsidiaries which underwent the Group Reorganisation on that date;

(d) on 24 June 2011, the Company capitalised an amount of HK$37,499,900 standing to the credit of its reserves in paying-up in full 374,999,000 ordinary shares, which allotted and issued to the existing shareholders of the Company prior to its listing on the Stock Exchange; and

(e) On 20 July 2011, the Company issued 125,000,000 ordinary shares of HK$0.10 each at HK$1.87 per share by the way of public share offering.

All ordinary shares issued during the year rank *pari passu* with the then existing ordinary shares in all respects.

28. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the 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	
	2011 HK$'000	2010 HK$'000
Within one year	**4,388**	2,404
In the second to fifth year inclusive	**3,348**	5,211
After five years	**7,484**	6,393
	15,220	14,008

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

29. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the:		
– acquisition of property, plant and equipment	**24,539**	6,517
– acquisition of land use right	**–**	2,708
	24,539	9,225
Capital expenditure authorised but not contracted for in the financial statements in respect of the:		
– acquisition of property, plant and equipment	**224,304**	–
– acquisition of land use right	**26,485**	–
	250,789	–

30. 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.

31. RELATED PARTIES TRANSACTIONS

(i) In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions during the year:

	2011 HK$'000	2010 HK$'000
Administrative service fee received from Ming Fung Investment Holdings Limited, a company controlled by Mr. Yiu#	**2,061**	345
Rental expense fee paid to Mr. Yiu#	**402**	402
Rental expense fee paid to Bo Luo Ming Fung Kitchen Appliance Manufacturing Limited, a company controlled by Mr. Yiu#	**465**	–
Transportation service fee paid to Hong Kong Tong Fat Transportation Limited, a company controlled by a close family member of Mr. Yiu#	**125**	262
Purchase of staff quarters from Boluo Ming Fung Zhiye Limited, a company controlled by Mr. Yiu#	**7,205**	–
Share of administrative expenses paid to Ming Fung Investment Holdings Limited, a company controlled by Mr. Yiu#	**–**	1,181

Mr. Yiu is the ultimate controlling shareholder and a director of the Company.

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

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

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011 **HK$'000**	2010 HK$'000
Non-current assets		
Interests in subsidiaries	**118,186**	–
Current assets		
Prepayments	**220**	57
Amounts due from subsidiaries	**3,056**	20
Bank balances and cash	**162,841**	10
	166,117	87
Current liabilities		
Dividend payable	**15,000**	–
Other payables	**1,674**	–
Amounts due to a subsidiary	**–**	5,417
	16,674	5,417
Net current assets (liabilities)	**149,443**	(5,330)
	267,629	(5,330)
Capital and reserve		
Share capital *(note 27)*	**50,000**	–
Share premium	**213,244**	–
Accumulated profits (losses)	**4,385**	(5,330)
	267,629	(5,330)

33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2011 and 31 December 2010 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Winox Enterprise Company Limited	Hong Kong 23 March 2001	Ordinary capital HK$60,000,000	100%	Investment holdings and trading of stainless steel products
Winox Management Limited	Hong Kong 8 September 2010	Ordinary capital HK$1	100%	Provision of management and administration service
盈利時錶業(東莞)有限公司	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$100,000,000 Paid-up capital HK$96,400,000	100%	Manufacture and trading of stainless steel products
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)	PRC 10 June 2010 for a term of 30 years as a wholly foreign owned enterprise	Registered capital HK$100,000,000 Paid-up capital HK$72,000,000	100%	Manufacture and trading of stainless steel products

In the opinion of the directors of the Company, the above table lists the subsidiaries of the Group which principally affected the results or assets or liabilities of the Group and to give details of other subsidiaries would result in particulars of excessive length.

Except for Winox Enterprise Company Limited and 盈利時錶業(東莞)有限公司 which has outstanding bank borrowings of HK$69,736,000 and HK$27,102,000 at 31 December 2011 (2010: HK$98,271,000 and HK$41,203,000) respectively, none of the subsidiaries had any debt securities outstanding at 31 December 2011 or at any time during the year.

FINANCIAL SUMMARY

RESULTS

	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Turnover	324,598	256,928	398,606	**519,470**
Profit before taxation	72,668	58,464	108,246	**136,011**
Taxation	(11,169)	(6,296)	(17,267)	**(23,126)**
Profit for the year	61,499	52,168	90,979	**112,885**
Profit for the year attributable to:				
Owners of the Company	59,553	52,168	90,979	**112,885**
Non-controlling interests	1,946	–	–	**–**
	61,499	52,168	90,979	**112,885**

ASSETS AND LIABILITIES

	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Total assets	213,465	206,177	333,934	**620,613**
Total liabilities	(165,972)	(136,131)	(197,974)	**(179,028)**
Total equity	47,493	70,046	135,960	**441,585**

The results and summary of assets and liabilities for each of the three years ended 31 December 2010 which were extracted from the Company's prospectus dated 30 June 2011 have been prepared on a combined basis to present the results of the Group as if the group structure, at the time when the Group Reorganisation was completed on 11 March 2011, has been in existence throughout those years.