

INTERIM REPORT 2008



MINGFAI



明輝國際控股有限公司*

Ming Fai International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3828)

* For identification only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:
 CHING Chi Fai (*Chairman*)
 CHING Chau Chung
 CHING Chi Keung
 LIU Zigang
 LEE King Hay
 CHAN Yim Ching

Non-executive Directors:
 NG Bo Kwong
 CHAN Wing

Independent Non-executive Directors:
 SUN Kai Lit Cliff *BBS, JP*
 HUNG Kam Hung Allan
 MA Chun Fung Horace

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

EXECUTIVE COMMITTEE

CHING Chi Fai (*Chairman*)
 CHING Chau Chung
 CHING Chi Keung
 LIU Zigang
 LEE King Hay
 CHAN Yim Ching

INVESTMENT COMMITTEE

CHING Chi Fai (*Chairman*)
 CHING Chau Chung
 MA Chun Fung Horace
 CHIU Yu To Alan

COMPANY SECRETARY, QUALIFIED ACCOUNTANT AND CHIEF FINANCIAL OFFICER

CHIU Yu To Alan *CPA*

PRINCIPAL BANKERS

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

AUDITORS

PricewaterhouseCoopers

COMPLIANCE ADVISER

DBS Asia Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
 Services Limited
 Shops 1712-16, 17/F,
 Hopewell Centre
 183 Queen's Road East, Wanchai
 Hong Kong

REGISTERED OFFICE

P.O. Box 309GT
 Ugland House
 South Church Street
 George Town, Grand Cayman
 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat F, 6/F, Mai Kei Industrial Building
 No. 5, San Hop Lane, Tuen Mun
 New Territories
 Hong Kong

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

Bainikeng, Pinghu, Longgang
 Shenzhen, PRC

WEBSITE

www.mingfaigroup.com

STOCK CODE

3828

Management Discussion and Analysis

TO THE SHAREHOLDERS

On behalf of the board of directors (the "Board") of Ming Fai International Holdings Limited (the "Company"), I hereby announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008.

FINANCIAL REVIEW

For the six months ended 30 June 2008, the Group recorded a consolidated revenue of HK\$393.9 million, representing an increase of approximately 2.8% over the same period last year. Profit attributable to equity holders of the Company for the six months ended 30 June 2008 was HK\$54.0 million, as compared to HK\$59.7 million over the same period last year. Basic earnings per share was HK9 cents (2007: HK13 cents).

The consolidated net asset value increased to HK\$713.9 million as at 30 June 2008 from HK\$706.2 million as at 31 December 2007.

The Board has resolved not to pay any interim dividend in respect of the six months ended 30 June 2008 (2007: Nil).

Set out below are the consolidated financial highlights of the Group for the six months ended 30 June 2008:

	(Unaudited)	(Audited)
	Six months ended	
	30 June	
	2008	2007
	HK\$ million	HK\$ million
Revenue	393.9	383.2
Gross profit	109.6	117.7
Profit attributable to equity holders of the Company	54.0	59.7
Net asset value	713.9	706.2
Basic earnings per share (weighted average number of 600 million (2007: 450 million) ordinary shares in issue)(HK\$)	0.09	0.13

BUSINESS REVIEW

The Group's 2008 interim results reflect solid performance in an increasingly challenging business environment. The first half of 2008 saw the slowdown in macro economic growth, the pressure of global inflation remained severe and the monetary policy continued to be tightened. Despite the current difficulties, the Group recorded revenue growth of approximately 2.8% and remained profitable in a less favourable operating environment.

Following strong performance last year, our profit margin was slightly affected by a number of adverse factors. The main factors were increased prices of raw materials coupled with moderate increases in labor and other production costs. Oil was a key contributor to inflationary pressures. The Group is of the view that the recent increase in the oil price is of a speculative nature and not reflecting the fundamentals, and hence will be softened during the year ahead.

In response to the increasingly challenging market conditions and margin pressure, the Group has monitored closely the market development and applied strategies flexibly in sourcing raw materials or semi-finished and finished products in order to have a broad supply network with competitive prices. In addition, the Group will continue to alleviate the pressure through price adjustments of its products, strengthening supervision on costs, as well as higher automation with an aim to maintain a stable profit margin.

During the period under review, the Group has secured new contracts and orders from more hotels or hotel groups and international airlines. The major clients of which including Super 8 Hotels (China) Company Limited, Ascott International Management, Millennium Hotels and Copthorne Hotels as well as other two reputable international hotel groups. Of these two reputable international hotel groups, one is Asian based hotel chain and one is international hotel chain. The new clients have stronger presence in China, Europe, North and Central America, Africa, Middle East and Asia Pacific. These new clients represent the most significant expansion in the Group's development and will add substantially to its growth. Also, the adding of those clients will further strengthen the Group's leading market position.

In anticipation of further business growth and development, particularly the increasing sales and office network in the PRC market, the Group expanded its sales and marketing activities by establishing a new marketing department to develop its own brands, new product formulations and designs, as well as diversify its customer base.

The Group continues to make progress in expansion in the PRC. In the first half of year 2008, the Group acquired a property at a cost of approximately Renminbi ("RMB") 2 million (approximately HK\$2.2 million) in Chongqing as its sales office.

The Group continues to put due emphasis on corporate governance. During the period under review, the Group has established both investment committee and executive committee to oversee its investments and operations respectively. The Group also signed an agreement with a consultant to upgrade its management information system by purchasing the SAP All-in-One Software.

PROSPECTS

Despite the current difficulties, the Group remains confident in its future. China's economy maintained at a relatively stable growth rate. The Group believes this situation is unlikely to change in the near future which will present us with tremendous business opportunities in China. The new contracts signed with reputable hotel groups during the period under review also demonstrated that the Group has successfully enlarged its customer base both in China and overseas, and the contribution of these new contracts will be reflected in the second half of year 2008 and full year results. The Group will strive to secure more contracts, and is anticipated to have new orders from potential famous international hotel chains towards the end of this year.

The Group will continue to invest and build on its strength in supplying amenity products, by leveraging on its comprehensive range of products and services, well-established brands, strict quality control standards and leading market position which are springboards to achieve continued growth.

The Group will continue its strategy of capturing international acquisitions opportunities both in China and overseas so as to grow its earning base and production capacity. The Group is actively seeking acquisition opportunities in both upstream and downstream integration, and believes that these strategic acquisitions are conducive to the Group's long term development.

LIQUIDITY AND FINANCIAL RESOURCES

As 30 June 2008, the Group's cash and cash equivalents totalled HK\$486.5 million (2007: HK\$535.0 million).

As at 31 December 2007, the Group had outstanding borrowings drawn in RMB with carrying amount of HK\$20.4 million, which were fully repaid by the Group during the six months ended 30 June 2008. Net US dollars ("US\$") denominated loans increased by approximately HK\$49.5 million over the six months to HK\$81.3 million. These loans carry fixed interest rates which are secured by restricted cash and repayable within one year. Details of the borrowings are set out in note 10 to the condensed consolidated financial statements.

The gearing ratio at 30 June 2008, calculated on the basis of borrowings over total equity, is 11.4% as compared with 7.4% at 31 December 2007.

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

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

CHARGES ON GROUP ASSETS

As at 30 June 2008, restricted cash held by the Group was pledged as security for US\$ denominated loans drawn from a commercial bank in the PRC.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2008, the capital commitment of the Group was HK\$6.3 million (2007: HK\$1.8 million). As at 30 June 2008, the Group had no material contingent liabilities.

EMPLOYEES

As at 30 June 2008, the total number of employees of the Group was approximately 4,100. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrading their skills and knowledge.

CORPORATE SOCIAL RESPONSIBILITIES

The Group is committed to the principle of sustainable development. Shortly after the Sichuan quake, the Group and its employees raised HK\$800,000 for the Hong Kong Red Cross. Corporate Social Responsibilities ("CSR") is not just about philanthropy. It is about the Group's responsibility towards the community and being able to provide a platform for it to give back in a way that is meaningful, fulfilling and sustainable. CSR will remain a prominent feature in the Group's agenda, and environmental management has become an integral part of the Group's business planning and daily operations.

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

As at 30 June 2008, the Directors had the following interests in the Shares and underlying Shares of the Company and its associated corporations which were recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors:

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

Name of Director	Nature of Interests	Number of Shares	Approximate percentage of shareholding of the Company
Ching Chi Fai	Corporate (Note 1)	184,874,600	30.81%
Ching Chau Chung	Corporate (Note 2)	170,976,600	28.50%
Ching Chi Keung	Corporate (Note 3)	44,499,600	7.42%
Chan Yim Ching	Corporate (Note 3)	44,499,600	7.42%
Liu Zigang	Corporate (Note 4)	23,857,200	3.98%

Notes:

- These Shares are owned by Prosper Well International Limited ("Prosper Well"), which is wholly-owned by Mr. Ching Chi Fai.
- These Shares are owned by Pacific Plus Limited ("Pacific Plus"), which is wholly-owned by Mr. Ching Chau Chung.
- These Shares are owned by Targetwise Trading Limited ("Targetwise"), which is owned as to 50% and 50% by Mr. Ching Chi Keung and Ms. Chan Yim Ching respectively.
- These Shares are owned by Favour Power Limited ("Favour Power"), which is wholly-owned by Mr. Liu Zigang.

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

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2008, so far as the Directors are aware of, the following substantial shareholders had interests in 5% or more of the Company's issued share capital:

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

Name of Substantial Shareholders	Capacity/ nature of interest	Number of Shares directly or indirectly held immediately following completion of the Share Offer and the Capitalisation Issue	Approximate percentage of the issued share capital of the Company immediately following completion of the Share Offer and the Capitalisation Issue
Mr. Ching Chi Fai (1)	Interest in controlled company	184,874,600	30.81%
Ms. Lo Kit Ling (2)	Family interest	184,874,600	30.81%
Prosper Well (5)	Beneficial owner	184,874,600	30.81%
Mr. Ching Chau Chung (3)	Interest in controlled company	170,976,600	28.50%
Ms. Wong Sei Hang (4)	Family Interest	170,976,600	28.50%
Pacific Plus (6)	Beneficial owner	170,976,600	28.50%
Mr. Ching Chi Keung (7)	Interest in controlled company	44,499,600	7.42%
Ms. Po Fung Kiu (8)	Family interest	44,499,600	7.42%
Ms. Chan Yim Ching (7)	Interest in controlled company	44,499,600	7.42%
Mr. Lee King Keung (9)	Family Interest	44,499,600	7.42%
Targetwise (10)	Beneficial owner	44,499,600	7.42%

Notes:

1. These Shares will be owned by Prosper Well, which is wholly-owned by Mr. Ching Chi Fai. Mr. Ching Chi Fai individually is a Controlling Shareholder. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of the Company, are together regarded as a Controlling Shareholder.
2. As Prosper Well is wholly-owned by Mr. Ching Chi Fai, he is deemed to be interested in the Shares held by Prosper Well by virtue of Part XV of the SFO. Ms. Lo Kit Ling, being Mr. Ching Chi Fai's spouse, will be deemed to be interested in the Shares held by Prosper Well under Part XV of the SFO.
3. These Shares will be owned by Pacific Plus, which is wholly-owned by Mr. Ching Chau Chung. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of the Company, are together regarded as a Controlling Shareholder.
4. As Pacific Plus is wholly-owned by Mr. Ching Chau Chung, he is deemed to be interested in the Shares held by Pacific Plus by virtue of Part XV of the SFO. Ms. Wong Sei Hang, being Mr. Ching Chau Chung's spouse, will be deemed to be interested in the Shares held by Pacific Plus under Part XV of the SFO.
5. Prosper Well is wholly-owned by Mr. Ching Chi Fai. Prosper Well itself is a Controlling Shareholder. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of the Company, are together regarded as a Controlling Shareholder.
6. Pacific Plus is wholly-owned by Mr. Ching Chau Chung. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of the Company, are together regarded as a Controlling Shareholder.
7. These Shares will be owned by Targetwise, which is beneficially owned as to 50% by each of Mr. Ching Chi Keung and Ms. Chan Yim Ching, both are Executive Directors. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of the Company, are together regarded as a Controlling Shareholder.
8. As Targetwise is owned as to 50% by Mr. Ching Chi Keung, he is deemed to be interested in the Shares held by Targetwise by virtue of Part XV of the SFO. Ms. Po Fung Kiu, being Mr. Ching Chi Keung's spouse, will be deemed to be interested in the Shares held by Targetwise under Part XV of the SFO.
9. As Targetwise is owned as to 50% by Ms. Chan Yim Ching, she is deemed to be interested in the Shares held by Targetwise by virtue of Part XV of the SFO. Mr. Lee King Keung, being Ms. Chan Yim Ching's spouse, will be deemed to be interested in the Shares held by Targetwise under Part XV of the SFO.
10. Targetwise is beneficially owned as to 50% by each of Mr. Ching Chi Keung and Ms. Chan Yim Ching, both are Executive Directors. Prosper Well, Pacific Plus, Targetwise, Favour Power, Mr. Ching Chi Fai, Mr. Ching Chau Chung, Mr. Ching Chi Keung, Ms. Chan Yim Ching and Mr. Liu Zigang as a group of persons entitled to exercise 30% or more of voting rights at general meeting of the Company, are together regarded as a Controlling Shareholder.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SHARE OPTION SCHEME

Details of the Share Option Scheme (the "Scheme") were disclosed in the prospectus of the Company dated 22 October 2007. The Scheme has become unconditionally upon the commencement of the trading of the Shares on the Stock Exchange. As at the date of this Report, no option has been granted or agreed to be granted under the Scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2008, except for the following deviation:

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

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirements set out under the Model Code for the six months ended 30 June 2008.

On behalf of the Board
CHING Chi Fai
Chairman

Hong Kong, 4 September 2008

Condensed Consolidated Balance Sheet

AT 30 JUNE 2008

	Note	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	5	14,012	13,568
Property, plant and equipment	5	134,603	126,798
Intangible assets	5	575	627
Investment in an associated company		233	155
Deferred income tax assets		6,590	5,276
Total non-current assets		156,013	146,424
Current assets			
Inventories		93,986	54,379
Trade and bills receivables	6	156,804	162,059
Amount due from an associated company		297	346
Deposits, prepayments and other receivables		26,093	18,553
Restricted cash	7	84,116	32,526
Cash and cash equivalents	8	486,468	535,024
Total current assets		847,764	802,887
Total assets		1,003,777	949,311
EQUITY			
Capital and reserve attributable to the equity holders of the Company			
Share capital	9	6,000	6,000
Share premium		408,242	408,242
Reserves		299,665	241,524
Proposed final dividend	15	–	50,400
Total equity		713,907	706,166
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		466	322
Total non-current liabilities		466	322
Current liabilities			
Trade payable	11	104,003	93,772
Accruals and other payables		69,854	74,802
Current income tax liabilities		31,960	22,057
Borrowings	10	81,323	52,192
Derivative financial instruments	10	2,264	–
Total current liabilities		289,404	242,823
Total liabilities		289,870	243,145
Total equity and liabilities		1,003,777	949,311
Net current assets		558,360	560,064
Total assets less current liabilities		714,373	706,488

The notes on pages 14 to 26 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		(Unaudited) Six months ended 30 June 2008 HK\$'000	(Audited) 2007 HK\$'000
	<i>Note</i>		
Revenue	4	393,877	383,207
Cost of sales	12	<u>(284,268)</u>	<u>(265,474)</u>
Gross profit		109,609	117,733
Distribution costs	12	(27,748)	(25,741)
Administrative expenses	12	(20,566)	(20,607)
Other income		<u>7,612</u>	<u>1,019</u>
Operating profit		68,907	72,404
Finance costs	10	(2,651)	(241)
Share of profit of an associated company		<u>78</u>	<u>40</u>
Profit before income tax		66,334	72,203
Income tax expenses	13	(12,353)	(12,461)
Profit for the period attributable to equity holders of the Company		<u>53,981</u>	<u>59,742</u>
Earnings per share attributable to equity holders of the Company (Weighted average number of 600,000,000 (2007: 450,000,000) ordinary shares in issue) (Expressed in HK\$)			
– Basic	14	0.09	0.13
– Diluted	14	<u>0.09</u>	<u>0.13</u>

The notes on pages 14 to 26 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange reserves HK\$'000	Retained earnings HK\$'000	
For the six months ended 30 June 2007 (Audited)							
Balance at 1 January 2007	4,500	–	61,500	2,101	1,699	94,756	164,556
Profit for the period	–	–	–	–	–	59,742	59,742
Currency translation differences	–	–	–	–	3,069	–	3,069
Total recognised income for the period ended 30 June 2007	–	–	–	–	3,069	59,742	62,811
Issuance of new shares of companies comprising the Group	–	–	10	–	–	–	10
Balance at 30 June 2007	<u>4,500</u>	<u>–</u>	<u>61,510</u>	<u>2,101</u>	<u>4,768</u>	<u>154,498</u>	<u>227,377</u>
For the six months ended 30 June 2008 (Unaudited)							
Balance at 1 January 2008	<u>6,000</u>	<u>408,242</u>	<u>61,510</u>	<u>2,101</u>	<u>7,625</u>	<u>220,688</u>	<u>706,166</u>
Profit for the period	–	–	–	–	–	53,981	53,981
Currency translation differences	–	–	–	–	4,160	–	4,160
Total recognised income for the period ended 30 June 2008	–	–	–	–	4,160	53,981	58,141
Dividends related to 2007 paid in 2008	–	–	–	–	–	(50,400)	(50,400)
Balance at 30 June 2008	<u>6,000</u>	<u>408,242</u>	<u>61,510</u>	<u>2,101</u>	<u>11,785</u>	<u>224,269</u>	<u>713,907</u>

The notes on pages 14 to 26 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	(Unaudited) Six months ended 30 June 2008 HK\$'000	(Audited) 2007 HK\$'000
Net cash generated from operating activities	29,357	56,784
Net cash used in investing activities	(6,009)	(13,397)
Net cash used in financing activities	(72,859)	(41,882)
Net (decrease)/increase in cash and cash equivalents	(49,511)	1,505
Cash and cash equivalents at the beginning of the period	535,024	42,869
Exchange gains on cash and cash equivalents	955	2,014
Cash and cash equivalents at the end of the period	486,468	46,388

The notes on pages 14 to 26 form an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and sales of amenity products and accessories. Its registered address is at the office of M&C Corporate Services Limited, PO Box 309GT, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands.

These condensed consolidated interim financial statements are presented in thousands of units of HK dollars (HK\$'000), unless otherwise stated.

The Company has its primary listing on the The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 4 September 2008.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions'
- HK(IFRIC) – Int 12, 'Service concession arrangements'
- HK(IFRIC) – Int 14, 'HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'

3 ACCOUNTING POLICIES (continued)

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This standard does not have significant impact on the results of operation of the Group.
- HKAS 23 (Revised), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. Management is in the process of assessing the impact of this amendment, but is not yet in a position to state whether this amendment would have a significant impact on its results of operations and financial position.
- HKFRS 2 (Amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. The Group has already commenced an assessment of the impact of this new interpretation, but is not yet in a position to state whether this new interpretation would have a significant impact on its results of operations and financial position.
- HKFRS 3 (Revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.
- HKAS 1 (Revised), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of assessing the impact of this amendment.
- HKAS 32 and HKAS 1 (Amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group as the Group does not have any puttable instruments.
- HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. This amendment is not relevant to the Group as the Group does not have any customer loyalty programmes.

4 SEGMENT INFORMATION

(a) Primary reporting format - business segments

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

(b) Secondary reporting format - geographical segments

The Group primarily operates in Hong Kong and the People's Republic of China ("PRC"). The Group's revenue by geographical location is determined by the place in which the customer is located.

	(Unaudited) Six months ended 30 June 2008 HK\$'000	(Audited) 2007 HK\$'000
Revenue:		
North America	153,534	146,937
Europe	70,605	84,997
PRC	66,683	53,186
Hong Kong	44,179	54,654
Australia	19,870	5,897
Other Asia Pacific countries (ex Australia) (note i)	34,978	35,845
Others (note ii)	4,028	1,691
	<u>393,877</u>	<u>383,207</u>

Notes:

- i. Other Asia Pacific countries (ex Australia) mainly include Japan, United Arab Emirates, Thailand, Philippines, Malaysia and Singapore.
- ii. Others mainly include South Africa, Egypt, Morocco and Nigeria.

4 SEGMENT INFORMATION (continued)

(b) Secondary reporting format - geographical segments (continued)

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

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

	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
Total assets:		
Hong Kong	590,035	587,255
PRC	403,820	353,078
Other Asia Pacific countries	9,922	8,978
	<u>1,003,777</u>	<u>949,311</u>

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

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

	(Unaudited) Six months ended 30 June 2008 HK\$'000	(Audited) 2007 HK\$'000
Capital expenditure in:		
Hong Kong	2,424	900
PRC	8,797	13,051
Singapore	632	11
	<u>11,853</u>	<u>13,962</u>

5 LEASEHOLD LAND AND LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Leasehold land and land use rights HK\$'000	Property, plant and equipment HK\$'000	Intangible assets HK\$'000
For the six months ended 30 June 2008 (Unaudited)			
Net book value:			
At 1 January 2008	13,568	126,798	627
Additions	–	11,853	–
Disposals	–	(106)	–
Depreciation and amortisation	(160)	(10,477)	(52)
Exchange difference	604	6,535	–
	<u>14,012</u>	<u>134,603</u>	<u>575</u>
At 30 June 2008	<u>14,012</u>	<u>134,603</u>	<u>575</u>

	Leasehold land and land use rights HK\$'000	Property, plant and equipment HK\$'000	Intangible assets HK\$'000
For the six months ended 30 June 2007 (Audited)			
Net book value:			
At 1 January 2007	7,605	108,834	731
Additions	3,030	10,932	–
Disposals	–	(68)	–
Depreciation and amortisation	(114)	(8,369)	(52)
Exchange difference	283	3,310	–
	<u>10,804</u>	<u>114,639</u>	<u>679</u>
At 30 June 2007	<u>10,804</u>	<u>114,639</u>	<u>679</u>

Bank borrowings as at 31 December 2007 are secured by certain leasehold land and land use rights with an aggregate carrying value of approximately HK\$2,126,000 and property, plant and equipments with a net carrying value of approximately HK\$28,463,000. The related bank borrowings have been fully repaid during the six months period ended 30 June 2008 and the corresponding pledged assets have been released.

6 TRADE AND BILLS RECEIVABLES

	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
Trade receivables	151,765	154,447
Bills receivables	10,813	11,808
	162,578	166,255
Less: provision for impairment of receivables	(5,774)	(4,196)
Trade and bills receivables, net	156,804	162,059

Ageing analysis of trade and bills receivables as at 30 June 2008 and 31 December 2007 is as follows:

	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
Current	93,826	93,296
1 - 30 days	37,751	40,681
31 - 60 days	16,403	17,927
61 - 90 days	4,012	6,538
91 - 180 days	5,474	3,983
Over 180 days	5,112	3,830
	162,578	166,255

The credit period granted by the Group ranges from 30 to 120 days.

7 RESTRICTED CASH

Restricted cash mainly represents mandatory reserve deposit placed in bank as pledges against the US dollars ("US\$") denominated loans. The Renminbi ("RMB") denominated balances represent fixed terms deposits placed in a commercial bank in the PRC by one of the subsidiaries of the Group, as pledged against the US\$ denominated loans drawn from that bank. Please refer to note 10 "Borrowings" for further details of the arrangement.

8 CASH AND CASH EQUIVALENTS

	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
Cash at banks and on hand	68,743	122,888
Bank deposits	417,725	412,136
	486,468	535,024

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

9 SHARE CAPITAL

	Number of shares HK\$0.01 each	Ordinary shares HK\$'000
Authorised:		
At 31 December 2007 and 30 June 2008	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 December 2007 and 30 June 2008	<u>600,000,000</u>	<u>6,000</u>

10 BORROWINGS

	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
Current		
Secured short-term bank loans	<u>81,323</u>	<u>52,192</u>

Movements in borrowings is analysed as follows:

	HK\$'000
Six months ended 30 June 2008 (Unaudited)	
At 1 January 2008	52,192
Proceeds from new borrowings	61,775
Repayments of borrowings	<u>(32,644)</u>
At 30 June 2008	<u>81,323</u>
Six months ended 30 June 2007 (Audited)	
At 1 January 2007	8,022
Proceeds from new borrowings	8,758
Repayments of borrowings	<u>(11,610)</u>
At 30 June 2007	<u>5,170</u>

As at 31 December 2007, borrowings drawn in the PRC were secured by the Group's leasehold land and land use rights with net carrying value of approximately HK\$ 2,126,000 and property, plant and equipment with net carrying value of approximately HK\$28,463,000.

A subsidiary of the Group has entered into arrangements with a bank in the PRC. Under these arrangements, borrowings denominated in US\$ with maturities of 12 months were drawn. Simultaneously, RMB equivalent amounts in the forms of fixed term deposits and having same maturities with the US\$ loans, were placed with that bank. These RMB deposits were used to pledge against the loans (note 7). The RMB deposits would be converted to US\$ at forward exchange rates specified in the arrangements upon maturities for repayment of the US\$ loans. Forward contracts of HK\$2,264,000 are recognised as derivative financial instruments, which are initially recognised and subsequently remeasured at their fair values. Changes in fair values of the forward contracts are recognised in the condensed consolidated income statement.

Interest expense on borrowings and loans for the six months ended 30 June 2008 is approximately HK\$2,651,000 (2007: HK\$241,000).

11 TRADE PAYABLE

The ageing analysis of trade payable is as follows:

	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
Current	66,074	69,644
1 - 30 days	25,935	20,568
31 - 60 days	10,402	579
61 - 90 days	319	464
Over 90 days	1,273	2,517
	<u>104,003</u>	<u>93,772</u>

12 EXPENSES BY NATURE

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

	(Unaudited) Six months ended 30 June 2008 HK\$'000	(Audited) 2007 HK\$'000
Changes in inventories	209,260	197,985
Auditors' remuneration	581	1,010
Amortisation of leasehold land and land use rights	160	114
Depreciation of property, plant and equipment	10,477	8,369
Amortisation of intangible assets	52	52
Operating lease rental in respect of buildings	1,065	523
Provision for obsolete inventories	1,810	1,612
Provision for impairment of trade and bills receivables	1,298	854
Write-off of bad debts	34	-
Employee benefit expenses	55,447	54,024
Transportation expenses	12,868	12,374
Exchange (gains)/losses	(3,717)	1,312
Advertising costs	<u>1,245</u>	<u>780</u>

13 INCOME TAX EXPENSES

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

	(Unaudited) Six months ended 30 June 2008 HK\$'000	(Audited) 2007 HK\$'000
Current income tax:		
– Hong Kong profits tax	12,812	10,984
– PRC enterprise income tax	497	2,659
– Singapore income tax	(127)	480
	<u>13,182</u>	14,123
Deferred income tax	<u>(829)</u>	(1,662)
	<u>12,353</u>	<u>12,461</u>

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

Overseas tax is calculated based on the estimated taxable income and the income tax rates prevailing in their countries of operation. The new Foreign Enterprise Income Tax Law in the PRC became effective since 1 January 2008 and the tax rate applicable to a subsidiary in Shenzhen has been adjusted to 18%.

14 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of HK\$53,981,000 (2007: HK\$59,742,000) by the weighted average number of 600,000,000 (2007: 450,000,000) ordinary shares in issue during the period.

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2008 (2007: Nil).

15 DIVIDENDS

The Board has resolved not to pay any interim dividend in respect of the six months ended 30 June 2008 (2007: Nil).

For the year ended 31 December 2007, a final dividend of HK\$0.084 per share, amounting to a total dividend of HK\$50,400,000, was proposed by the Board on 29 February 2008, which was approved by the Company's shareholders on 10 April 2008 and payable on 2 May 2008.

16 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

(a) Significant related party transactions

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

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

16 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

The Group had the following significant transactions with related parties:

	(Unaudited) Six months ended 30 June 2008 HK\$'000	(Audited) 2007 HK\$'000
(i) Sales of goods – to Quality Amenities Supply (M) Sdn. Bhd.	<u>71</u>	<u>64</u>
(ii) Rental charged – by Ming Fai Plastic Industrial Company – by Liu Zigang	<u>405</u> <u>73</u>	371 <u>67</u>
(iii) Purchase of assets and services rendered from – Marketing service from AMF Supply, Inc. – A property from Ching Chi Keung – Consultancy service from Advance Management Consultants Limited – Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd	– – <u>237</u> <u>178</u>	442 900 – <u>–</u>

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

Purchase of a property is transacted at normal commercial terms.

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

The Group leased certain properties from Ming Fai Plastic Industrial Company as one of its production bases in the PRC. The transaction is carried out at normal commercial terms.

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

16 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Key management compensation

	(Unaudited) Six months ended 30 June 2008 HK\$'000	(Audited) 2007 HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	3,209	3,150
Contributions to pension plans	<u>32</u>	<u>65</u>
	<u><u>3,241</u></u>	<u><u>3,215</u></u>

17 SEASONALITY

Sales of amenity products and accessories are not subject to obvious seasonal factors.