



(Stock Code: 3828)

明輝國際控股有限公司*

Ming Fai International Holdings Limited

(incorporated in the Cayman Islands with limited liability)



Interim Report
2010

* For identification only



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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

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

Non-executive Directors:

NG Bo Kwong
LEUNG Ping Shing

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 Chi Keung
LIU Zigang
LEE King Hay
CHAN Yim Ching

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

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

AUDITOR

PricewaterhouseCoopers

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
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

Suite 501-502, 5th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

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

Bainikeng, Pinghu, Longgang
Shenzhen, PRC

WEBSITE

www.mingfaigroup.com

STOCK CODE

3828



Management Discussion and Analysis

TO THE SHAREHOLDERS

The board of directors (the “Board”) of Ming Fai International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 as follows:

FINANCIAL REVIEW

Total consolidated revenue for the six months ended 30 June 2010 was HK\$458.7 million, an increase of HK\$112.9 million or 32.6%, as compared with the same period last year, reflecting sales growth in all the Group’s geographic areas. Profit attributable to equity holders of the Company was HK\$47.1 million for the six months ended 30 June 2010, an increase of 17.6%, compared with HK\$40.0 million in the corresponding period.

Basic earnings per share was HK7.8 cents (2009: HK6.7 cents).

The overall gross profit margin for the period decreased by 3.1% to 27.2% from 30.3% for the six months ended 30 June 2009 which was mainly due to higher raw materials prices.

The consolidated net asset value increased to HK\$812.9 million as at 30 June 2010 from HK\$793.8 million as at 31 December 2009.

The Board has resolved to pay an interim dividend of HK3.5 cents per share for the six months ended 30 June 2010 (2009: HK3.0 cents).

The Group’s profit for the six months ended 30 June 2010 included the following items:

- Increase in fair value of investment properties of HK\$5.0 million, comprising a fair value gain of HK\$6.0 million and the corresponding deferred income tax charge of HK\$1.0 million (2009: nil);
- The expensing of fair value of share options granted to the eligible employees (including the directors) of HK\$3.2 million (2009: HK\$0.1 million);
- A loss of HK\$1.6 million (2009: HK\$0.6 million) was recognised in respect of its operation in towels manufacturing plant in Guangxi Province which is 51% owned by the Group; and
- A loss of HK\$5.3 million (2009: nil) was recognised in respect of its two 51% held retail shops in Hong Kong.

Set out below are the unaudited consolidated financial highlights of the Group for the six months ended 30 June 2010 and 30 June 2009:

	2010	2009
	HK\$ million	HK\$ million
Revenue	458.7	345.8
Gross profit	124.9	104.7
Profit attributable to equity holders of the Company	47.1	40.0
Net asset value as at 30 June 2010 and 31 December 2009	812.9	793.8
Basic earnings per share (HK cents)	7.8	6.7
Diluted earnings per share (HK cents)	7.7	6.7
Dividend per share (HK cents)	3.5	3.0

BUSINESS REVIEW

With a gradual recovery in the global economy, the Group recorded an encouraging sales growth for the first half of 2010. Total revenue of HK\$458.7 million was 32.6% higher than the first half of 2009.

Geographically, North America remains as the Group's largest market, representing 36% of total revenue during the period under review. China has become the key market which contributing 23% of total revenue, reflecting a strong growth in the Group's business portfolio. Revenue in other markets such as Europe, other Asia Pacific countries (excluding Australia), Hong Kong, Australia and others accounted for 14%, 13%, 9%, 4% and 1% of total revenue, respectively.

The Group has continued to report a solid performance in the first half of 2010 with profit attributable to shareholders of HK\$47.1 million as well as consistently generated strong cash flow which is a key indicator of the Group's ability to invest in the business and to generate returns to shareholders. In this context, the Board has approved an interim dividend of HK3.5 cents per share, with an aggregate value of HK\$21.0 million.

Existing core operation – profitable in every region

During the period under review, the Group experienced a continuing and significant recovery in its core business under the fast-changing global economy. All the major markets of the Group performed well with revenues continuing to grow despite uncertainty over the stability of the global economy. With well established and highly diversified distribution networks across the Greater China and Asian countries, the Group has strong momentum across Asia, and envisions excellent opportunity to benefit from the continuing wave of economic growth in the Mainland where the strength of China's economy is evident.

Business development – Asia to be the center of global growth

It is the market consensus that the center of economic growth is moving from the West to Asia, and in particular emerging Asia. The Group has a clear and distinctive strategy to increase and build its presence in emerging markets, particularly in China. As part of the Group's strategy to broaden its business scope and revenue base, the Group, in July 2009, announced to construct a laundry plant in Jiangsu Province which is now re-scheduled to open in the fourth quarter of this year due to unstable weather conditions.



In the fourth quarter of 2009, a 51% owned subsidiary was established to launch its new personal care products through the opening of two retail shops named “everyBody Labo” in Hong Kong. These two retail shops continued to sustain start-up losses as expected for building up a new brand at this initial stage.

To integrate its business operations forward and capitalise on the retail industry’s exponential growth by taking advantage of the PRC Government’s policy to boost consumption, as well as fast-growing demand from second- and third-tier cities in China, the Group entered into an agreement, pursuant to which the Group has conditionally agreed to acquire the entire interests in All Team Group Limited (“All Team Group”) at a consideration of, subject to adjustment, RMB250.0 million (equivalent to approximately HK\$285.0 million). All Team Group (through its subsidiaries) is principally engaged in the manufacturing and distribution of cosmetic products and fashion accessories in China. This strategic move will allow the Group to benefit from the booming younger line female fashion accessories and cosmetic markets in China. Completion of the acquisition is conditional upon fulfillment of a number of conditions as stipulated in the agreement. The details of the proposed acquisition were disclosed in the announcements of the Company dated 18 May 2010 and 31 July 2010 respectively. As at the date of this report, the said acquisition has not been completed.

Leveraging its strong financial capability, the Group is well positioned to capture attractive growth opportunities and to enrich further its business portfolio in Hong Kong, China and other Asian Pacific region.

PROSPECTS

While the global economy as a whole continued to improve in the first half of 2010 on the back of a strong recovery in the fourth quarter of 2009, there is currently growing geographical divergence in growth rates and risks, with the major advanced countries recording only moderate growth overall but strong growth in Asia and Latin America. According to World Economic Outlook, produced by the International Monetary Fund, Asia is expected to stage a vigorous recovery in 2010. In China and India, strong domestic demand is expected to support the recovery.

On the other hand, under the cloud of European sovereign debt crisis and high unemployment recorded in the United States, the Group also recognises that the economic outlook in Europe and America remains uncertain.

Despite an environment that remains very challenging, the Group is cautiously optimistic about the near-term and longer-term future. This rests, first, on a clear and distinctive strategy of the Group to capture the large opportunity of the emerging markets, particularly in the Mainland; second, on the ongoing transformation of its businesses and operations to broaden the business scope and to create a more efficient, better connected organisation; and third, on a very successful business model that reliably generates strong profits and cash, giving the Group the financial flexibility to invest for future growth and sustainable development.

Looking forward, with its strong balance sheet and financial position, solid recurring revenue and profit streams, focused business strategy and unmatched global reach, the Group is confident about the years ahead and will continue to build its presence on emerging markets and scale in all other major markets while investing where good opportunities to expand its business arise.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group's cash and cash equivalents totalled HK\$409.7 million (2009: HK\$455.0 million).

In November 2009, the Group entered into a mortgage deed with a leading bank in Hong Kong to raise HK\$64.4 million for the completion of acquisition of an office premise in Central district. This facility bears interest at one month HIBOR plus 0.75% per annum or 1.75% below HK\$ Prime Rate, whichever is the lower. The facility is secured by the office premises with maturity date on 27 November 2019. As at 30 June 2010, the outstanding borrowing of this facility amounted to HK\$60.8 million (2009: HK\$63.9 million). Details of the borrowings are set out in note 11 to the condensed consolidated interim financial information.

The gearing ratio as at 30 June 2010, calculated on the basis of borrowings over total equity attributable to the equity holders of the Company, is 7.5% as compared with 8.0% as at 31 December 2009.

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

CHARGES ON GROUP ASSETS

As at 30 June 2010, a subsidiary of the Company pledged assets with aggregate carrying value of HK\$151.1 million (2009: HK\$146.1 million) to secure drawn bank borrowings.

Certain assets of approximately HK\$27.7 million (2009: HK\$28.4 million) with aggregate carrying value were pledged to secure undrawn banking facilities.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2010, the capital commitments of the Group were HK\$204.2 million (2009: HK\$69.0 million). At the balance sheet date, the Group had no material contingent liabilities.

EMPLOYEES

As at 30 June 2010, the total number of employees of the Group was approximately 4,600. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrading their skills and knowledge.

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

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 5 October 2007 (the "Share Option Scheme"). The Share Option Scheme has become unconditional upon the commencement of the trading of the shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Particulars of movements in the share options during six months ended 30 June 2010 are as follows:

Grantee	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				Outstanding as at 30 June 2010
				Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	
Directors of the Company								
Ching Chi Fai	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000 ¹	–	–	–	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000 ¹	–	–	–	300,000
Ching Chi Keung	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000 ¹	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000 ¹	–	–	–	2,000,000
Chan Yim Ching	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000 ¹	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000 ¹	–	–	–	2,000,000
Liu Ziqang	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000 ¹	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000 ¹	–	–	–	2,000,000
Lee King Hay	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000 ¹	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000 ¹	–	–	–	2,000,000
Ng Bo Kwong	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000 ¹	–	–	–	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000 ¹	–	–	–	300,000
Ching Chau Chung	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000 ¹	–	–	300,000 ⁴	–
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000 ¹	–	–	300,000 ⁴	–
Sun Kai Lit Cliff	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000 ¹	–	–	–	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000 ¹	–	–	–	300,000
Hung Kam Hung Allan	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000 ¹	–	–	–	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000 ¹	–	–	–	300,000
Ma Chun Fung Horace	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000 ¹	–	–	–	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000 ¹	–	–	–	300,000
Employees of the Group								
In aggregate	23-6-2009	23-6-2011 to 22-6-2019	1.12	5,621,000 ^{1,2}	–	–	–	5,621,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	5,621,000 ^{1,2}	–	–	–	5,621,000
	7-5-2010	7-5-2011 to 6-5-2020	3.72	–	1,850,000 ^{3,5}	–	–	1,850,000
	7-5-2010	7-5-2012 to 6-5-2020	3.72	–	1,850,000 ^{3,5}	–	–	1,850,000
Total				<u>30,842,000</u>	<u>3,700,000</u>	<u>–</u>	<u>600,000</u>	<u>33,942,000</u>

Notes:

1. The closing price of the share options granted on 23 June 2009 was HK\$1.11 per share. 50% of the options are exercisable after two years from the date of grant and the remaining of 50% of the options are only exercisable after four years from the date of grant. The options shall lapse on 23 June 2019.
2. Included in employees of the Group was 388,000 options granted to Mr. Lee King Keung, being spouse of Ms. Chan Yim Ching who is an executive Director of the Company.
3. The closing price of the share options granted on 7 May 2010 was HK\$3.72 per share. 50% of the options are exercisable after one year from the date of grant and the remaining of 50% of the options are only exercisable after two years from the date of grant. The options shall lapse on 7 May 2020.
4. The 600,000 share options granted to Mr. Ching Chau Chung were forfeited/lapsed during the period following his resignation as a non-executive Director on 16 April 2010.
5. In assessing the fair value of the share options granted during the period, the binomial model (the "Model") has been used. The Model is one of the generally accepted methodologies used to calculate the fair value of share options and is one of the recommended option pricing models set out in Chapter 17 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The variables of the Model include risk-free rate, expected volatility and expected dividend yield (if any) of the Company's shares. The variables of the Model used in assessing the fair value of the share options granted during the period and the estimated fair values as at the date of grant are listed as follows:

Grantee	Date of grant	Vesting date	Risk-free rate	Expected volatility	Expected dividend yield	Estimated fair value per share option HK\$
Employees of the Group	7-5-2010	7-5-2011	2.670%	66%	5.41%	1.5449
		7-5-2012	2.670%	66%	5.41%	1.6187

- (a) The risk-free rate applied to the Model represents the yield of the Hong Kong Exchange Fund Notes at the measurement date corresponding to the expected life of the options as at the measurement date.
- (b) In the determination of volatility, we considered the historical volatility of the Company prior to the issuance of option. The expected volatility used in the calculation is based on the weekly price change.
- (c) Based on historic pattern, it is assumed that dividend yield is 5.41% during the expected life of the options.
- (d) It should be noted that the value of options calculated using the Model is based on various assumptions and is only an estimate of the fair value of options granted during the period. It is possible that the financial benefit accruing to the grantee of an option will be considerably different from the value estimated using the Model at the measurement date.

Using the Model in assessing the fair value of share options granted during the period, the options would have an aggregate estimated fair value of approximately HK\$5,852,770, calculated as follows:

Grantee	Date of grant	Vesting date	Number of share options granted during the period	Estimated fair value of share options granted during the period HK\$
Employees of the Group	7-5-2010	7-5-2011	1,850,000	2,858,157
		7-5-2012	<u>1,850,000</u>	<u>2,994,613</u>
TOTAL			<u><u>3,700,000</u></u>	<u><u>5,852,770</u></u>

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

As at 30 June 2010, the Directors had the following interests in the shares and underlying shares of the Company and its associated corporations which were recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code"):

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

Name of Directors	Capacity/ nature of interests	Interest in number of Shares	Approximate percentage of shareholding of the Company
Mr. Ching Chi Fai	Corporate (Note 1)	183,666,600	30.61%
	Personal (Note 4)	9,057,000	1.51%
Mr. Ching Chi Keung	Corporate (Note 2)	44,499,600	7.42%
	Personal (Note 4)	4,000,000	0.67%
Ms. Chan Yim Ching	Corporate (Note 2)	44,499,600	7.42%
	Personal (Note 4)	4,388,000	0.73%
Mr. Liu Zigang	Corporate (Note 3)	23,857,200	3.98%
	Personal (Note 4)	4,000,000	0.67%
Mr. Lee King Hay	Personal (Note 4)	5,690,000	0.95%
Mr. Ng Bo Kwong	Personal (Note 4)	600,000	0.10%
Mr. Leung Ping Shing	Personal	2,050,000	0.34%
Mr. Hung Kam Hung Allan	Personal (Note 4)	600,000	0.10%
Mr. Sun Kai Lit Cliff	Personal (Note 4)	600,000	0.10%
Mr. Ma Chun Fung Horace	Personal (Note 4)	600,000	0.10%

Notes:

1. These shares are owned by Prosper Well International Limited (“Prosper Well”), which is wholly-owned by Mr. Ching Chi Fai.
2. These shares are owned by Targetwise Trading Limited (“Targetwise”), which is owned as to 50% and 50% by Mr. Ching Chi Keung and Ms. Chan Yim Ching respectively.
3. These shares are owned by Favour Power Limited (“Favour Power”), which is wholly-owned by Mr. Liu Zigang.
4. Options granted to the above Directors under the Share Option Scheme as at 30 June 2010 are set out under the section headed “Share Option Scheme” above.

Save as disclosed above, as at 30 June 2010, 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 2010, so far as the Directors are aware of, the following substantial shareholders (other than a Director or chief executive of the Company) had interests in 5% or more of the Company’s issued share capital:

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

Name of Substantial Shareholders	Capacity/ nature of interest	Interest in number of Shares	Approximate percentage of shareholding of the Company
Prosper Well International Limited	Beneficial owner	183,666,600 (Note 1)	30.61%
Ms. Lo Kit Ling	Family interest	192,354,600 (Note 1)	32.06%
Targetwise Trading Limited	Beneficial owner	44,499,600 (Note 2)	7.42%
Ms. Po Fung Kiu	Family interest	48,499,600 (Note 3)	8.08%
Mr. Lee King Keung	Personal and Family Interest	48,887,600 (Note 4)	8.15%
AID Partners Interactive Investment Limited	Beneficial owner	40,000,000 (Note 5)	6.67%
Mr. Wu King Shiu Kelvin	Beneficial owner	40,000,000 (Note 5)	6.67%
Mr. Chang Tat Joel	Beneficial owner	40,000,000 (Note 5)	6.67%

Notes:

1. 183,666,600 Shares were owned by Prosper Well International Limited, which is wholly-owned by Mr. Ching Chi Fai (the chairman and an executive Director). Ms. Lo Kit Ling, being Mr. Ching Chi Fai's spouse, was deemed to be interested in the 192,354,600 Shares in which Mr. Ching Chi Fai had interests by virtue of Part XV of the SFO.
2. These 44,499,600 Shares were owned by Targetwise Trading Limited, which is beneficially owned as to 50% by each of Mr. Ching Chi Keung and Ms. Chan Yim Ching, both are executive Directors.
3. Ms. Po Fung Kiu, being Mr. Ching Chi Keung's spouse, was deemed to be interested in the 48,499,600 Shares in which Mr. Ching Chi Keung had interests by virtue of Part XV of the SFO.
4. Mr. Lee King Keung held a share option to subscribe 388,000 Shares. Mr. Lee, being Ms. Chan Yim Ching's spouse, was deemed to be interested in the 48,887,600 Shares in which Ms. Chan Yim Ching had interests by virtue of Part XV of the SFO.
5. AID Partners Interactive Investment Limited is controlled as to 60% and 40% by Mr. Wu King Shiu Kelvin and Mr. Chang Tat Joel.

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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has complied with all the applicable code provisions set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2010, except the following deviation:

- Code provision A.2.1 of the Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this 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 2010.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company 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 on 5 October 2007. 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 2010.

CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to pay an interim dividend of HK3.5 cents per share. The interim dividend will be distributed on or about 8 October 2010. The register of members of the Company will be closed from Wednesday, 22 September 2010 to Wednesday, 29 September 2010 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 21 September 2010.

By order of the Board
Ming Fai International Holdings Limited
CHING Chi Fai
Chairman

Hong Kong, 26 August 2010

Condensed Consolidated Balance Sheet

		(Unaudited)	(Audited)
			(Restated)
		30 June	Note 3(a)
		2010	31 December
	Note	HK\$'000	2009
			HK\$'000
ASSETS			
Non-current assets			
Land use rights	5	17,650	12,863
Property, plant and equipment	5	223,818	207,960
Deposits and prepayments		11,393	–
Investment properties	6	87,000	82,640
Intangible assets	5	632	583
Investment in an associated company		465	396
Deferred income tax assets		1,865	4,040
Total non-current assets		342,823	308,482
Current assets			
Inventories		87,478	78,520
Trade and bills receivables	7	194,018	188,189
Amount due from an associated company		1,658	1,292
Prepaid income tax		1,618	1,806
Deposits, prepayments and other receivables		46,058	28,653
Restricted cash	9	3,249	–
Cash and cash equivalents	8	409,705	455,015
Total current assets		743,784	753,475
Total assets		1,086,607	1,061,957

The notes on pages 18 to 34 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

		(Unaudited)	(Audited)
			(Restated)
		30 June	31 December
		2010	2009
	Note	HK\$'000	HK\$'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	10	6,000	6,000
Share premium		408,242	408,242
Other reserves		379,002	347,536
Proposed interim/final dividend	16	21,000	30,000
		<u>814,244</u>	791,778
Non-controlling interests		<u>(1,343)</u>	2,044
Total equity		<u>812,901</u>	<u>793,822</u>
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	11	54,655	57,677
Deferred income tax liabilities		3,145	2,155
Total non-current liabilities		<u>57,800</u>	59,832
Current liabilities			
Trade payables	12	90,911	89,785
Accruals and other payables		97,051	97,960
Current income tax liabilities		19,218	13,690
Loan from a non-controlling interest		2,592	661
Current portion of long-term bank borrowings	11	6,134	6,207
Total current liabilities		<u>215,906</u>	208,303
Total liabilities		<u>273,706</u>	268,135
Total equity and liabilities		<u>1,086,607</u>	<u>1,061,957</u>
Net current assets		<u>527,878</u>	<u>545,172</u>
Total assets less current liabilities		<u>870,701</u>	<u>853,654</u>

The notes on pages 18 to 34 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

	Note	(Unaudited) Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Revenue	4	458,654	345,792
Cost of sales	13	(333,723)	(241,128)
Gross profit		124,931	104,664
Distribution costs	13	(44,553)	(30,219)
Administrative expenses	13	(31,831)	(26,206)
Other income		2,227	1,208
Operating profit		50,774	49,447
Finance income		354	1,354
Finance costs	11	(264)	(462)
Share of profit of an associated company		124	114
Fair value gain on investment properties	6	6,000	–
Profit before income tax		56,988	50,453
Income tax expenses	14	(13,482)	(10,726)
Profit for the period		43,506	39,727
Other comprehensive income/(loss)			
Currency translation differences		2,133	(88)
Total comprehensive income for the period		45,639	39,639
Profit/(loss) attributable to:			
Equity holders of the Company		47,061	40,033
Non-controlling interests		(3,555)	(306)
		43,506	39,727
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		49,226	39,946
Non-controlling interests		(3,587)	(307)
		45,639	39,639
Earnings per share attributable to equity holders of the Company (HK cents)			
– Basic	15	7.8	6.7
– Diluted	15	7.7	6.7
Proposed interim dividends (HK cents)	16	3.5	3.0

The notes on pages 18 to 34 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company (Unaudited)							Non-controlling interests	Total	
	Share capital	Share premium	Merger reserve	Statutory reserve fund	Share-based compensation reserve	Exchange reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2009	6,000	408,242	61,510	6,569	-	11,923	266,690	760,934	-	760,934
Total comprehensive (loss)/income for the period ended 30 June 2009	-	-	-	-	-	(87)	40,033	39,946	(307)	39,639
Transactions with owners in their capacity as owners:										
Capital injection from a non-controlling interest	-	-	-	-	-	-	-	-	2,780	2,780
Share-based compensation	-	-	-	-	119	-	-	119	-	119
Dividends relating to 2008 paid in 2009	-	-	-	-	-	-	(50,400)	(50,400)	-	(50,400)
Total transactions with owners	-	-	-	-	119	-	(50,400)	(50,281)	2,780	(47,501)
Balance at 30 June 2009	6,000	408,242	61,510	6,569	119	11,836	256,323	750,599	2,473	753,072
Balance at 1 January 2010	6,000	408,242	61,510	9,593	2,857	12,241	291,335	791,778	2,044	793,822
Total comprehensive income/(loss) for the period ended 30 June 2010	-	-	-	-	-	2,165	47,061	49,226	(3,587)	45,639
Transactions with owners in their capacity as owners:										
Capital injection from a non-controlling interest	-	-	-	-	-	-	-	-	200	200
Share-based compensation	-	-	-	-	3,240	-	-	3,240	-	3,240
Dividends relating to 2009 paid in 2010	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Total transactions with owners	-	-	-	-	3,240	-	(30,000)	(26,760)	200	(26,560)
Balance at 30 June 2010	6,000	408,242	61,510	9,593	6,097	14,406	308,396	814,244	(1,343)	812,901
Representing:										
Share capital and reserves										793,244
Proposed interim dividend (Note 16)										21,000
										814,244
Non-controlling interests										(1,343)
Balance at 30 June 2010										812,901

The notes on pages 18 to 34 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	(Unaudited)	
	For the six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
Net cash generated from operating activities	42,553	70,990
Net cash used in investing activities	(57,251)	(10,751)
Net cash used in financing activities	<u>(30,935)</u>	<u>(45,181)</u>
Net (decrease)/increase in cash and cash equivalents	(45,633)	15,058
Cash and cash equivalents at the beginning of the period	455,015	482,704
Exchange differences on cash and cash equivalents	<u>323</u>	<u>(97)</u>
Cash and cash equivalents at the end of the period	<u><u>409,705</u></u>	<u><u>497,665</u></u>

The notes on pages 18 to 34 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

Ming Fai International Holdings Limited ("the Company") is an investment holding Company. Its subsidiaries are principally engaged in the manufacturing and sales of amenity products and accessories.

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

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

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the board of directors (the "Board") on 26 August 2010.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 has 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 information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in the annual report for the year ended 31 December 2009.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 ACCOUNTING POLICIES (continued)

(a) Amendments to existing standards adopted by the Group

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, interests in the title of land which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land as finance lease instead of operating lease.

The effect of the adoption of this amendment is as below:

		30 June 2010 HK\$'000	31 December 2009 HK\$'000
	<i>Note</i>		
Decrease in land use rights	5	(56,147)	(55,382)
Increase in property, plant and equipment	5	56,147	55,382
		For the six months ended 30 June 2010 HK\$'000	For the six months ended 30 June 2009 HK\$'000
	<i>Note</i>		
Decrease in amortisation expenses	13	(755)	(44)
Increase in depreciation expenses	13	755	44

3 ACCOUNTING POLICIES (continued)

(a) Amendments to existing standards adopted by the Group (continued)

- HKAS 27 (Revised), 'Consolidated and separate financial statements', specifies that total comprehensive income is attributed to the owners of the parent and to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to this revision, non-controlling interests will only share losses up to the non-controlling interests in the subsidiary's equity, except when the non-controlling interests has a binding obligation and is able to make an additional investment to cover the losses.

HKAS 27 (Revised) has been applied prospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the revision.

The effect of the adoption of this revision is as below:

	For the six months ended 30 June 2010
	HK\$'000
Increase in loss attributable to non-controlling interests	2,715
Decrease in non-controlling interests	(2,715)

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant or have no material financial impact to the Group

HKFRS 1 (Revised)	First-time adoption of HKFRS
HKFRS 1 (Amendment)	First-time adoption of HKFRS – Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Share-based payment – Group cash-settled share-based payment transaction
HKFRS 3 (Revised)	Business combinations
HKAS 39 (Amendment)	Financial instruments: recognition and measurement – Eligible hedge items
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners

Improvements to HKFRS published by HKICPA in May 2008:

HKFRS 5	Non-current assets held for sale and discontinued operations
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3 ACCOUNTING POLICIES (continued)

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant or have no material financial impact to the Group (continued)

Improvements to HKFRS published by HKICPA in May 2009:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 7 (Amendment)	Statement of cash flows
HKAS 18 (Amendment)	Revenue
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: recognition and measurement
HKFRS 2 (Amendment)	Share-based payment
HKFRS 5	Non-current asset held for sale and discontinued operations
HKFRS 8 (Amendment)	Operating segments
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation

(c) New standards, new interpretations and amendments to standards and interpretations issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

		Effective for annual periods beginning on or after
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 32 (Amendment)	Financial instruments: Presentation – Classification of rights issue	1 February 2010
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 July 2010
HKFRS 9	Financial instruments	1 January 2013
HK(IFIRC) – Int 14	The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2011
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010

Improvements to HKFRS published by HKICPA in May 2010:

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	Presentation of financial statements	1 January 2011
HKFRS 3 (Amendment)	Business combinations	1 July 2010
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2011
HKAS 1 (Amendment)	Presentation of financial statements	1 January 2011
HKAS 34 (Amendment)	Interim financial reporting	1 January 2011
HK(IFIRC) – Int 13 (Amendment)	Customer loyalty programmes	1 January 2011

4 SEGMENT INFORMATION

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

The Group primarily operates in Hong Kong and the People's Republic of China ("the PRC"). The Group principally engaged in the manufacturing and sales of amenity products, therefore the Board considered that the Group operates in a single business segment. From geographical perspective, the Board assesses the performance based on the Group's revenue by geographical location in which the customer is located.

The Board assesses the performance of the operating segments based on a measure of segment profit/(loss) before income tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments.

Revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

Assets of the Group are allocated by reference to the principal markets in which the Group operates.

	North America HK\$'000	Europe HK\$'000	The PRC HK\$'000	Hong Kong HK\$'000	Australia HK\$'000	Other Asia Pacific countries (note i) HK\$'000	Others (note ii) HK\$'000	Total HK\$'000
Six months ended 30 June 2010								
(Unaudited)								
Segment revenue	<u>165,126</u>	<u>62,612</u>	<u>106,886</u>	<u>40,995</u>	<u>17,107</u>	<u>60,394</u>	<u>5,534</u>	<u>458,654</u>
Segment profit before income tax	24,766	6,128	12,167	6,740	89	6,877	97	56,864
Share of profit from an associated company	-	-	-	-	-	124	-	124
Income tax expenses								<u>(13,482)</u>
Profit for the period								<u>43,506</u>

4 SEGMENT INFORMATION (continued)

	North America HK\$'000	Europe HK\$'000	The PRC HK\$'000	Hong Kong HK\$'000	Australia HK\$'000	Other Asia Pacific countries (note i) HK\$'000	Others (note ii) HK\$'000	Total HK\$'000
Six months ended 30 June 2009 (Unaudited)								
Segment revenue	<u>137,191</u>	<u>55,732</u>	<u>67,514</u>	<u>37,030</u>	<u>5,137</u>	<u>42,176</u>	<u>1,012</u>	<u>345,792</u>
Segment profit/(loss) before income tax	24,605	9,043	8,647	4,993	(700)	3,528	223	50,339
Share of profit from an associated company	-	-	-	-	-	114	-	114
Income tax expenses								<u>(10,726)</u>
Profit for the period								<u>39,727</u>
						Other locations (note iii)		Total
		The PRC	Hong Kong	Australia		HK\$'000	HK\$'000	HK\$'000
		HK\$'000	HK\$'000	HK\$'000				
As at 30 June 2010 (Unaudited)								
Total assets		<u>388,584</u>	<u>679,688</u>	<u>2,080</u>		<u>16,255</u>		<u>1,086,607</u>
As at 31 December 2009 (Audited)								
Total assets		<u>320,427</u>	<u>723,610</u>	<u>2,697</u>		<u>15,223</u>		<u>1,061,957</u>

Notes:

- (i) Other Asia Pacific countries mainly include Japan, United Arab Emirates, Thailand, the Philippines, Malaysia, Singapore, Fiji and New Zealand.
- (ii) Others mainly include South Africa, Egypt, Morocco and Nigeria.
- (iii) Other locations mainly include Singapore.

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

	Land use rights HK\$'000	Property, plant and equipment HK\$'000	Intangible assets HK\$'000
For the six months ended 30 June 2010 (Unaudited)			
Opening net book value at 1 January 2010	68,245	152,578	583
Adjustment for adoption of amendment to HKAS 17 (Note 3(a))	<u>(55,382)</u>	<u>55,382</u>	<u>–</u>
Opening net book value at 1 January 2010 (as restated)	12,863	207,960	583
Additions	4,808	26,664	128
Transfer from investment properties (Note a)	–	1,640	–
Disposals	–	(206)	–
Depreciation and amortisation	(204)	(13,869)	(79)
Exchange difference	<u>183</u>	<u>1,629</u>	<u>–</u>
Closing net book value at 30 June 2010	<u><u>17,650</u></u>	<u><u>223,818</u></u>	<u><u>632</u></u>
For the six months ended 30 June 2009 (Unaudited)			
Opening net book value at 1 January 2009 (as previously reported)	15,245	134,850	523
Adjustment for adoption of amendment to HKAS 17 (Note 3(a))	<u>(3,390)</u>	<u>3,390</u>	<u>–</u>
Opening net book value at 1 January 2009 (as restated)	11,855	138,240	523
Additions	–	15,510	53
Disposals	–	(140)	–
Depreciation and amortisation	(136)	(11,371)	(55)
Exchange difference	<u>(3)</u>	<u>13</u>	<u>–</u>
Closing net book value at 30 June 2009	<u><u>11,716</u></u>	<u><u>142,252</u></u>	<u><u>521</u></u>

Note a: During the six months ended 30 June 2010, leasehold land and buildings of HK\$1,640,000 has been reclassified from investment properties to property, plant and equipment as a result of change in usage.

5 LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (continued)

As at 30 June 2010, the Group has banking facilities of Renminbi ("RMB") 35 million, which has not been utilised (2009: same). The facilities are secured by certain land use rights with an aggregate carrying value of approximately HK\$2,146,000 (2009: HK\$2,146,000) and property, plant and equipment with a net carrying value of approximately HK\$25,549,000 (2009: HK\$26,225,000).

The Group has a Hong Kong dollar ("HK\$") denominated mortgage loan arrangement with a commercial bank in Hong Kong. Certain property, plant and equipment with an aggregate carrying value of approximately HK\$64,134,000 (2009 as restated: HK\$63,495,000) were pledged as security for the mortgage loan drawn by the Group (*Note 11*).

6 INVESTMENT PROPERTIES

	(Unaudited)
	30 June
	2010
	HK\$'000
For the six months ended 30 June 2010 (Unaudited)	
Opening net book value at 1 January 2010	82,640
Transfer to property, plant and equipment (<i>Note 5(a)</i>)	(1,640)
Fair value gain on investment properties	6,000
	<hr/>
Closing net book value at 30 June 2010	<u>87,000</u>

As at 30 June 2010, certain investment properties with an aggregate carrying amount of HK\$87,000,000 (2009: HK\$82,640,000) were pledged as security for the mortgage loan drawn by the Group (*Note 11*).

7 TRADE AND BILLS RECEIVABLES

	(Unaudited) 30 June 2010 HK\$'000	(Audited) 31 December 2009 HK\$'000
Trade receivables	194,771	182,912
Bills receivables	5,142	9,394
Receivable from a non-controlling interest	<u>43</u>	<u>476</u>
	199,956	192,782
Less: provision for impairment of receivables	<u>(5,938)</u>	<u>(4,593)</u>
Trade and bills receivables, net	<u><u>194,018</u></u>	<u><u>188,189</u></u>

Ageing analysis of trade and bills receivables as at 30 June 2010 and 31 December 2009 is as follows:

	(Unaudited) 30 June 2010 HK\$'000	(Audited) 31 December 2009 HK\$'000
Current	111,235	112,592
1 – 30 days	41,602	42,860
31 – 60 days	21,485	15,400
61 – 90 days	8,920	11,463
91 – 180 days	10,967	5,438
Over 180 days	<u>5,747</u>	<u>5,029</u>
	<u><u>199,956</u></u>	<u><u>192,782</u></u>

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

8 CASH AND CASH EQUIVALENTS

	(Unaudited) 30 June 2010 HK\$'000	(Audited) 31 December 2009 HK\$'000
Cash at banks and on hand	133,121	278,546
Short-term bank deposits	<u>276,584</u>	<u>176,469</u>
	<u>409,705</u>	<u>455,015</u>

The Group's cash and bank balances denominated in RMB amounted to approximately HK\$34,422,000 (2009: HK\$20,887,000) are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

9 RESTRICTED CASH

As at 30 June 2010, there is a RMB denominated deposit of RMB2,149,000 (approximately HK\$2,471,000) placed with a commercial bank in the PRC, by Changshu Ming Fai Travel Products Company Limited, a wholly owned subsidiary of the Group. Construction of the laundry plant has been commenced in early 2010, with total construction costs of approximately HK\$22,940,000. The construction is expected to be completed before end of 2010. Under the rules promulgated by the local government of Changshu city, Jiangsu province, the PRC, a mandatory deposit of approximately 5% of the total construction costs is required to be placed with the local banks as restricted deposit, which would be released upon completion of the construction project.

The remaining RMB676,000 (approximately HK\$778,000) represents a documentary credit issued by a commercial bank in the PRC for procuring raw materials overseas by a subsidiary of the Group, which has been subsequently released in July 2010.

10 SHARE CAPITAL

	Number of shares HK\$0.01 each	Ordinary shares HK\$'000
Authorised		
At 31 December 2009 and 30 June 2010	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid		
At 31 December 2009 and 30 June 2010	<u>600,000,000</u>	<u>6,000</u>

10 SHARE CAPITAL (continued)

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

During the year ended 31 December 2009, a total of 32,000,000 share options were granted to certain directors and employees. 50% of the options are exercisable after two years from the date of grant and the remaining of 50% of the options are only exercisable after four years from the date of grant. The options shall lapse on 23 June 2019. 1,158,000 and 600,000 share options were forfeited during the year ended 31 December 2009 and the six months ended 30 June 2010, respectively.

On 7 May 2010, a total of 3,700,000 share options were granted to certain employees of the Group. 50% of the options are exercisable after one year from the date of grant and the remaining of 50% of the options are only exercisable after two years from the date of grant. The options shall lapse on 7 May 2020. No share options were cancelled or lapsed during the six months ended 30 June 2010.

No options are exercisable as at 30 June 2010 (2009: same).

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

	Options granted on	
	23 June 2009	7 May 2010
Exercise price	HK\$1.12	HK\$3.72
Fair value per share option	HK\$0.4085 to HK\$0.4801	HK\$1.5449 to HK\$1.6187
Closing price of the share at the date of grant	HK\$1.11 per share	HK\$3.72 per share
Risk free interest rate	2.87%	2.67%
Expected volatility	64%	66%
Expected dividend yield	6.51%	5.41%

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

11 BORROWINGS

	(Unaudited) 30 June 2010 HK\$'000	(Audited) 31 December 2009 HK\$'000
Non-current	54,655	57,677
Current	<u>6,134</u>	<u>6,207</u>
	<u><u>60,789</u></u>	<u><u>63,884</u></u>

Movements in borrowings are analysed as follows:

	HK\$'000
For the six months ended 30 June 2010 (Unaudited)	
At 1 January 2010	63,884
Repayments of borrowings	<u>(3,095)</u>
At 30 June 2010	<u><u>60,789</u></u>
For the six months ended 30 June 2009 (Unaudited)	
At 1 January 2009	63,460
Repayments of borrowings	(63,469)
Exchange difference	<u>9</u>
At 30 June 2009	<u><u>—</u></u>

In November 2009, the Group obtained a HK\$ denominated mortgage loan, which bears interest at the lower of one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% and HK\$ Prime rate less 1.75%, for acquiring certain properties in Hong Kong. These properties were pledged against the mortgage loan and included in property, plant and equipment and investment properties in the condensed consolidated interim financial information of the Group, with net carrying value HK\$64,134,000 (2009 as restated: HK\$63,495,000) and HK\$87,000,000 (2009: HK\$82,640,000), respectively, as at 30 June 2010.

Interest expense on borrowings for the six months ended 30 June 2010 is approximately HK\$264,000 (for the six months ended 30 June 2009: approximately HK\$462,000).

11 BORROWINGS (continued)

The Group has the following undrawn borrowing facilities:

	(Unaudited)	(Audited)
	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
Floating rate:		
– expiring within one year	<u>40,250</u>	<u>39,765</u>

The facilities are secured by certain land use rights with an aggregate carrying value of approximately HK\$2,146,000 (2009: HK\$2,146,000) and property, plant and equipment with a net carrying value of approximately HK\$25,549,000 (2009: HK\$26,225,000).

12 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
Current	56,638	55,474
1– 30 days	27,453	27,194
31 – 60 days	3,463	2,789
61 – 90 days	942	2,349
Over 90 days	<u>2,415</u>	<u>1,979</u>
	<u>90,911</u>	<u>89,785</u>

13 EXPENSES BY NATURE

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

	(Unaudited)	(Unaudited)
	Six months	(Restated)
	ended	Six months
	30 June 2010	ended
	HK\$'000	30 June 2009
		HK\$'000
Changes in inventories	249,488	173,531
Auditor's remuneration	650	551
Amortisation of land use rights	204	136
Depreciation of property, plant and equipment	13,869	11,371
Amortisation of intangible assets	79	55
Operating lease rental in respect of buildings	6,048	1,500
(Write-back of provision)/provision for obsolete inventories	(1,605)	667
Provision for impairment of trade and bills receivables	1,345	2,768
Employee benefit expenses	66,455	58,994
Transportation expenses	18,713	14,336
Exchange (gains)/losses	(341)	1,826
Advertising costs	1,713	751
	<u>1,713</u>	<u>751</u>

14 INCOME TAX EXPENSES

The amount of income tax charged/(credited) to the condensed consolidated statement of comprehensive income represents:

	(Unaudited)	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	5,347	8,963
– The PRC enterprise income tax	4,643	2,584
– Singapore income tax	291	(20)
	<u>10,281</u>	<u>11,527</u>
Deferred income tax	3,201	(801)
	<u>13,482</u>	<u>10,726</u>

Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the period.

Overseas tax is calculated based on the estimated taxable income and the income tax rates prevailing in their countries of operation. The tax rate applicable to a subsidiary in Shenzhen, the PRC has been adjusted to 22% (2009: 20%).

15 EARNINGS PER SHARE

	(Unaudited)	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Earnings		
Profit attributable to equity holders of the Company (HK\$'000)	<u>47,061</u>	<u>40,033</u>
Weighted average number of ordinary shares in issue (thousands)	600,000	600,000
Adjustments for:		
– Share options (thousands)	<u>10,557</u>	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>610,557</u>	<u>600,000</u>
Basic earnings per share (HK cents)	<u>7.8</u>	<u>6.7</u>
Diluted earnings per share (HK cents)	<u>7.7</u>	<u>6.7</u>

Diluted earnings per share is the same as basic earnings per share for the six months ended 30 June 2009 since all potential ordinary shares are anti-dilutive.

16 DIVIDENDS

The Board has resolved to pay an interim dividend of HK3.5 cents per share, amounting to a total dividend of HK\$21,000,000, in respect of the six months ended 30 June 2010 (for the six months ended 30 June 2009: HK3.0 cents per share).

For the year ended 31 December 2009, a final dividend of HK5.0 cents per share, amounting to a total dividend of HK\$30,000,000, was proposed by the Board on 18 March 2010, which was approved by the Company's shareholders on 13 May 2010 and paid during the six months ended 30 June 2010.

17 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 Chi Keung, Mr. Liu Zigang and Ms. Chan Yim Ching who are also directors of the Company.

17 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions

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

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

(Unaudited)
Six months ended 30 June

	2010	2009
	HK\$'000	HK\$'000
(i) Sales of goods		
– to Quality Amenities Supply (M) Sdn. Bhd.	<u>916</u>	<u>398</u>
(ii) Rental charged		
– by Ming Fai Plastic Industrial Company	491	487
– by Mr. Liu Zigang	<u>75</u>	<u>75</u>
(iii) Purchase of assets and services rendered from		
– Consultancy service from Advance Management Consultants Limited	60	199
– Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd.	<u>341</u>	<u>247</u>

17 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

Sales and purchases of goods and services are transacted at prices that are mutually agreed between the relevant parties.

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 in the ordinary course of business and conducted at prices mutually agreed between the relevant parties.

The Group leased one office premise in the PRC from Mr. Liu Zigang. The transactions are carried out in the ordinary course of business and conducted at prices mutually agreed between the relevant parties.

(b) Key management compensation

	(Unaudited)	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	2,072	2,621
Contributions to pension plans	34	36
Share-based payments	1,683	77
	<u>3,789</u>	<u>2,734</u>

18 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2010, the capital commitment of the Group was HK\$204.2 million (2009: HK\$79.9 million).

As at 30 June 2010 and 31 December 2009, the Group had no material contingent liabilities.

19 SEASONALITY

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

20 EVENT AFTER BALANCE SHEET DATE

On 18 May 2010, the Company and Ming Fai Holdings Limited ("MFH"), a wholly-owned subsidiary of the Company, entered into a Heads of Agreement ("Agreement") with independent third parties to acquire the entire share capital and loans of All Team Group Limited ("All Team"). The total consideration payable would be RMB250.0 million (approximately HK\$285.0 million), which is to be satisfied by RMB150.0 million (approximately HK\$171.0 million) cash and RMB100.0 million (approximately HK\$114.0 million) equivalent new shares, subject to certain conditions precedent. As at 30 June 2010, a total of RMB15.0 million (approximately HK\$17.0 million) has been prepaid as a deposit for the acquisition. On 31 July 2010, the Company and MFH had entered into an agreement for sales and purchase in accordance with the Agreement. The completion of the proposed acquisition is subject to the fulfillment of certain conditions precedent in the agreement for sales and purchase.