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)

# 2010 INTERIM RESULTS ANNOUNCEMENT

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:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2010*

| | | **(Unaudited) Six months ended 30 June** | |
|---|---|---|---|
| | | **2010** | 2009 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **458,654** | 345,792 |
| Cost of sales | *4* | **(333,723)** | (241,128) |
| **Gross profit** | | **124,931** | 104,664 |
| Distribution costs | *4* | **(44,553)** | (30,219) |
| Administrative expenses | *4* | **(31,831)** | (26,206) |
| Other income | | **2,227** | 1,208 |
| **Operating profit** | | **50,774** | 49,447 |
| Finance income | | **354** | 1,354 |
| Finance costs | | **(264)** | (462) |
| Share of profit of an associated company | | **124** | 114 |
| Fair value gain on investment properties | | **6,000** | – |
| **Profit before income tax** | | **56,988** | 50,453 |
| Income tax expenses | *5* | **(13,482)** | (10,726) |
| **Profit for the period** | | **43,506** | 39,727 |

* *For identification purpose only*

| | | (Unaudited) Six months ended 30 June | |
|---|---|---|---|
| | | **2010** | 2009 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **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 | *11* | **7.8** | 6.7 |
| – Diluted | *11* | **7.7** | 6.7 |
| **Proposed interim dividends (HK cents)** | *12* | **3.5** | 3.0 |

## CONDENSED CONSOLIDATED BALANCE SHEET

*AS AT 30 JUNE 2010*

| | Note | (Unaudited) 30 June 2010 HK$'000 | (Audited) (Restated) Note 2(a) 31 December 2009 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | **17,650** | 12,863 |
| Property, plant and equipment | | **223,818** | 207,960 |
| Deposits and prepayments | | **11,393** | – |
| Investment properties | | **87,000** | 82,640 |
| Intangible assets | | **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 | 6 | **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 | 7 | **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 |
| **EQUITY** | | | |
| **Equity attributable to the equity holders of the Company** | | | |
| Share capital | | **6,000** | 6,000 |
| Share premium | | **408,242** | 408,242 |
| Other reserves | | **379,002** | 347,536 |
| Proposed interim/final dividend | 12 | **21,000** | 30,000 |
| | | **814,244** | 791,778 |

| | Note | (Unaudited)<br>30 June<br>2010<br>HK$'000 | (Audited)<br>(Restated)<br>Note 2(a)<br>31 December<br>2009<br>HK$'000 |
|---|---|---|---|
| Non-controlling interests | | **(1,343)** | 2,044 |
| **Total equity** | | **812,901** | 793,822 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term bank borrowings | *10* | **54,655** | 57,677 |
| Deferred income tax liabilities | | **3,145** | 2,155 |
| **Total non-current liabilities** | | **57,800** | 59,832 |
| **Current liabilities** | | | |
| Trade payables | *9* | **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 | *10* | **6,134** | 6,207 |
| **Total current liabilities** | | **215,906** | 208,303 |
| **Total liabilities** | | **273,706** | 268,135 |
| **Total equity and liabilities** | | **1,086,607** | 1,061,957 |
| **Net current assets** | | **527,878** | 545,172 |
| **Total assets less current liabilities** | | **870,701** | 853,654 |

*NOTES:*

## 1 BASIS OF PREPARATION

This condensed consolidated 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 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").

These condensed consolidated financial information is presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

## 2 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.

### (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* |
|---|---|---|
| Decrease in land use rights | **(56,147)** | (55,382) |
| Increase in property, plant and equipment | **56,147** | 55,382 |

| | **For the six months ended 30 June 2010** *HK$'000* | For the six months ended 30 June 2009 *HK$'000* |
|---|---|---|
| Decrease in amortisation expenses | **(755)** | (44) |
| Increase in depreciation expenses | **755** | 44 |

- 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 |

*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) – Int19 | 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 |

## 3 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 | Europe | The PRC | Hong Kong | Australia | Other Asia Pacific countries *(note i)* | Others *(note ii)* | Total |
|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Six months ended 30 June 2010 (Unaudited)** | | | | | | | | |
| Segment revenue | **165,126** | **62,612** | **106,886** | **40,995** | **17,107** | **60,394** | **5,534** | **458,654** |
| 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 | | | | | | | | **(13,482)** |
| Profit for the period | | | | | | | | **43,506** |

| | 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 | 137,191 | 55,732 | 67,514 | 37,030 | 5,137 | 42,176 | 1,012 | 345,792 |
| 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 | | | | | | | | (10,726) |
| Profit for the period | | | | | | | | 39,727 |

| | **The PRC** *HK$'000* | **Hong Kong** *HK$'000* | **Australia** *HK$'000* | **Other locations** *(note iii)* *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| **As at 30 June 2010 (Unaudited)** | | | | | |
| Total assets | **388,584** | **679,688** | **2,080** | **16,255** | **1,086,607** |
| **As at 31 December 2009 (Audited)** | | | | | |
| Total assets | 320,427 | 723,610 | 2,697 | 15,223 | 1,061,957 |

*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.

## 4 EXPENSES BY NATURE

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

| | **(Unaudited) Six months ended 30 June 2010** | (Unaudited) (Restated) Six months ended 30 June 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'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 |

## 5 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) |
| | **10,281** | 11,527 |
| Deferred income tax | **3,201** | (801) |
| | **13,482** | 10,726 |

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%).

## 6 TRADE AND BILLS RECEIVABLES

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

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

| | **(Unaudited) 30 June 2010** | (Audited) 31 December 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'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 | **5,747** | 5,029 |
| | **199,956** | 192,782 |

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

## 7 RESTRICTED CASH

As at 30 June 2010, there is a Renminbi ("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.

## 8 CASH AND CASH EQUIVALENTS

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

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 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

| | **(Unaudited)**<br>**30 June**<br>**2010**<br>***HK$'000*** | (Audited)<br>31 December<br>2009<br>*HK$'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 | **2,415** | 1,979 |
| | **90,911** | 89,785 |

## 10 BORROWINGS

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

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 | (3,095) |
| At 30 June 2010 | 60,789 |
| **For the six months ended 30 June 2009 (Unaudited)** | |
| At 1 January 2009 | 63,460 |
| Repayments of borrowings | (63,469) |
| Exchange difference | 9 |
| At 30 June 2009 | – |

In November 2009, the Group obtained a Hong Kong dollar ("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 financial information of the Group, with net carrying value HK$64,134,000 and HK$87,000,000, 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 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) | **47,061** | 40,033 |
| **Weighted average number of ordinary shares in issue (thousands)** | **600,000** | 600,000 |
| Adjustments for: | | |
| – Share options (thousands) | **10,557** | – |
| **Weighted average number of ordinary shares for diluted earnings per share (thousands)** | **610,557** | 600,000 |
| Basic earnings per share (HK cents) | **7.8** | 6.7 |
| Diluted earnings per share (HK cents) | **7.7** | 6.7 |

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.

## 12 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

## 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 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 announcement, 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 10 to the condensed consolidated 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.

## 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 (the "Model Code") 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

*As at the date of this announcement, the executive Directors are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang, Mr. LEE King Hay and Ms. CHAN Yim Ching; the non-executive Directors are Mr. NG Bo Kwong and Mr. LEUNG Ping Shing; and the independent non-executive Directors are Mr. SUN Kai Lit Cliff, Mr. HUNG Kam Hung Allan and Mr. MA Chun Fung Horace.*