



(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)



\* For identification only

2009  
Interim Report

# Contents

	<i>Pages</i>
Corporate Information	2
Management Discussion and Analysis	3
Condensed Consolidated Balance Sheet	12
Condensed Consolidated Statement of Comprehensive Income	14
Condensed Consolidated Statement of Changes in Equity	15
Condensed Consolidated Cash Flow Statement	16
Notes to the Condensed Consolidated Financial Information	17

## 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:

CHING Chau Chung  
 NG Bo Kwong

#### 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, AND CHIEF FINANCIAL OFFICER

CHIU Yu To Alan *CPA*

### PRINCIPAL BANKERS

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

### 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  
 Uglan House  
 South Church Street  
 George Town, Grand Cayman  
 Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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

Bainikeng, Pinghu, Longgang  
 Shenzhen, PRC

### WEBSITE

[www.mingfaigroup.com](http://www.mingfaigroup.com)

### STOCK CODE

3828

# Management Discussion and Analysis

## TO THE SHAREHOLDERS

On behalf of the board of directors (the "Board") of Ming Fai International Holdings Limited (the "Company"), I hereby announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009.

## FINANCIAL REVIEW

The Group's financial performance for the first half of 2009 remained solid despite the global economic downturn. Under a recessionary environment, the Group's revenue decreased by 12.2% to HK\$345.8 million as compared with HK\$393.9 million in the corresponding period. As a result of the reduction in worldwide business and travelling activities throughout the period under review, the general demand for amenity products and accessories remained soft.

Profit attributable to equity holders of the Company for the six months ended 30 June 2009 was HK\$40.0 million, as compared to HK\$54.0 million over the same period last year. Basic earnings per share was HK6.7 cents (2008: HK9.0 cents).

The overall gross profit margin for the period increased by 2.5% to 30.3% from 27.8% for the six months ended 30 June 2008 which was achieved through the Group's persistent cost control initiative.

The consolidated net asset value decreased to HK\$753.1 million as at 30 June 2009 from HK\$760.9 million as at 31 December 2008.

The Board has resolved to pay an interim dividend of HK3.0 cents per share in respect of the six months ended 30 June 2009 (2008: Nil).

Set out below are the unaudited consolidated financial highlights of the Group for the six months ended 30 June 2009 and 30 June 2008:

	<b>2009</b>	2008
	<b>HK\$ million</b>	HK\$ million
Revenue	<b>345.8</b>	393.9
Gross profit	<b>104.7</b>	109.6
Profit attributable to equity holders of the Company	<b>40.0</b>	54.0
Net asset value as at 30 June 2009 and 31 December 2008	<b>753.1</b>	760.9
Basic earnings per share (HK cents)	<b>6.7</b>	9.0
Dividend per share (HK cents)	<b>3.0</b>	nil

## BUSINESS REVIEW

The Group's performance reveals its ability to deliver profit, generate cash and make returns to its shareholders even in this unprecedented adverse economic environment. In view of the Group's solid capital structure and high liquidity, the Board has approved an interim dividend of HK3.0 cents per share, with an aggregate value of HK\$18.0 million.

With strong financial positions, the Group is well positioned for the upturn. Mainland China remains key to the Group's growth strategy. During the period under review, the Group has continued to invest in Mainland China to expand its business and the range of services that it can offer to customers:

- A 51% owned subsidiary in Guangxi province of the PRC is scheduled to supply towels and other linens to the Group's customers in the fourth quarter of this year; and
- Construction of the Group's laundry plant in Jiangsu Province of the PRC is scheduled to open in the mid of 2010.

During the period, the Group has secured new contracts from two international hotel chain groups both mainly focus in Asia Pacific region. The Group continues to make efforts in expanding our market share in China. In the first half of 2009, the Group has secured contracts with various individual hotels including but not limited to Chateau Changyu AFIP Beijing, Erdos Hotel, and New Century Hotels and Resorts.

In Hong Kong, further efforts have been put by the Group in penetrating the local market by securing orders with various individual hotels or hotel groups.

For international airline customers, the Group has successfully secured orders from United Airlines, Northwest Airlines, Austrian Airlines AG, Aeroflot – Russian Airlines, Air Zealand and Czech Airlines through various distributors. These customers together with the forgoing business developments will contribute substantially to the growth of the Group.

The Group is committed to the principle of sustainable development. In this respect, the Group sets environmental policies and finds solutions to develop products that help minimize the environmental impacts. The Group has successfully attained Ecocert and European Union ECO LABEL certification, and is proud to be the first hotel amenities supplier in Asia attaining these certificates. The Group has further strengthened its leading position in the industry. Producing superior quality eco-friendly products is the Group's commitment to the community.

## PROSPECTS

Whilst the Group remains cautious on the market in the near term, the Group is confident on the long-term economic prospects of Hong Kong and China. After decelerating sharply in the second half of 2008, China has reported an encouraging set of macro data recently, showing early signs of stabilization in the faltering economy. The Group believes the fundamental of the Hong Kong economy remains strong as evidenced by its robust property market and low public leverage. Despite the appearance of "green shoots" and continuous loose monetary policies by various governments and central banks, the fundamentals of United States ("US") and Europe economies remain uncertain.

Moving forward, the Group will continue to focus on its core business by soliciting orders from existing and new customers as well as to develop new product lines. Sustainable development and the ability to generate long-term growth for its shareholders are also the Group's priority. Despite in this tough time, the Group will continue its strategy of capturing acquisitions opportunities in the emerging markets, particularly China, by deploying its strong balance sheet so as to grow its earning base, broaden its product range and diversify its businesses.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group's cash and cash equivalents totalled HK\$497.7 million (2008: HK\$482.7 million). As at 31 December 2008, the Group had outstanding borrowings drawn in US dollars ("US\$") with carrying amount of HK\$63.5 million, which were fully repaid by the Group during the six months ended 30 June 2009.

Following the full repayment of outstanding borrowings, the gearing ratio at 30 June 2009, calculated on the basis of borrowings over total equity, is zero as compared with 8.3% at 31 December 2008.

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

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

## CHARGES ON GROUP ASSETS

As at 30 June 2009, restricted cash held by the Group was pledged to a commercial bank in the PRC to meet the requirements set by the Customs Department of the PRC for export purpose. The balance as at 31 December 2008 was pledged as a security for US\$ denominated loans drawn from a commercial bank in the PRC.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2009, the capital commitment of the Group was HK\$79.9 million (2008: HK\$6.3 million). As at 30 June 2009 and 31 December 2008, the Group had no material contingent liabilities.

## EMPLOYEES

As at 30 June 2009, the total number of employees of the Group was approximately 3,800. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. Employees of the Group are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. 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.

## SHARE OPTION SCHEME

On 5 October 2007, the Company adopted a share option scheme (the "Scheme") under which 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.

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME

Details of the movements in share options granted under the Scheme during the period from 1 January 2009 to 30 June 2009 are as follows:

Grantee	Date of grant	Exercise price per share HK\$	Number of share options		
			At 1 January 2009	Granted during the period	At 30 June 2009
<b>Directors</b>					
Ching Chi Fai	23-06-2009	1.12	–	600,000	600,000
Ching Chi Keung	23-06-2009	1.12	–	4,000,000	4,000,000
Liu Zigang	23-06-2009	1.12	–	4,000,000	4,000,000
Lee King Hay	23-06-2009	1.12	–	4,000,000	4,000,000
Chan Yim Ching	23-06-2009	1.12	–	4,000,000	4,000,000
Ching Chau Chung	23-06-2009	1.12	–	600,000	600,000
Ng Bo Kwong	23-06-2009	1.12	–	600,000	600,000
Sun Kai Lit Cliff	23-06-2009	1.12	–	600,000	600,000
Hung Kam Hung Allan	23-06-2009	1.12	–	600,000	600,000
Ma Chun Fung Horace	23-06-2009	1.12	–	600,000	600,000
			–	19,600,000	19,600,000
<b>Employees</b>	23-06-2009	1.12	–	12,400,000	12,400,000
<b>TOTAL</b>			–	32,000,000	32,000,000

## Notes:

1. No share option was cancelled or lapsed during the period.
2. The closing price of the share on the date of grant was HK\$1.11 per share.
3. 50% of the options are exercisable after two years from date of grant and the remaining of 50% of the options are only exercisable after four years from date of grant. The options shall lapse on 23 June 2019.
4. Included in options granted to employees were 388,000 options granted to Mr. Lee King Keung, being spouse of Ms. Chan Yim Ching who is an Executive Director of the Company.
5. In assessing the fair value of the share options granted during the period, the binominal model (the "Model") has been used. The Model is one of the generally accepted methodologies used to calculate the fair value of options and is one of the recommended option pricing models set out in Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The variables of the Model include risk-free rate, expected volatility and expected dividend rate (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 option HK\$
Directors	23-06-2009	23-06-2011	2.865%	64%	6.51%	0.4801
		23-06-2013	2.865%	64%	6.51%	0.4691
Employees	23-06-2009	23-06-2011	2.865%	64%	6.51%	0.4085
		23-06-2013	2.865%	64%	6.51%	0.4289

- (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 historical pattern, it is assumed that dividend yield is 6.51% 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\$14,494,000, 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\$
<b>Directors</b>				
Ching Chi Fai	23-06-2009	23-06-2011	300,000	144,030
		23-06-2013	300,000	140,730
Ching Chi Keung	23-06-2009	23-06-2011	2,000,000	960,200
		23-06-2013	2,000,000	938,200
Liu Zigang	23-06-2009	23-06-2011	2,000,000	960,200
		23-06-2013	2,000,000	938,200
Lee King Hay	23-06-2009	23-06-2011	2,000,000	960,200
		23-06-2013	2,000,000	938,200
Chan Yim Ching	23-06-2009	23-06-2011	2,000,000	960,200
		23-06-2013	2,000,000	938,200
Ching Chau Chung	23-06-2009	23-06-2011	300,000	144,030
		23-06-2013	300,000	140,730
Ng Bo Kwong	23-06-2009	23-06-2011	300,000	144,030
		23-06-2013	300,000	140,730
Sun Kai Lit Cliff	23-06-2009	23-06-2011	300,000	144,030
		23-06-2013	300,000	140,730
Hung Kam Hung Allan	23-06-2009	23-06-2011	300,000	144,030
		23-06-2013	300,000	140,730
Ma Chun Fung Horace	23-06-2009	23-06-2011	300,000	144,030
		23-06-2013	300,000	140,730
			----- 19,600,000	----- 9,302,160
<b>Employees</b>				
	23-06-2009	23-06-2011	6,200,000	2,532,700
		23-06-2013	6,200,000	2,659,180
			----- 12,400,000	----- 5,191,880
<b>TOTAL</b>			<u>32,000,000</u>	<u>14,494,040</u>

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

As at 30 June 2009, 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"):

### (1) Long position in ordinary shares of HK\$0.01 each in the Company

Name of Director	Nature of Interests	Number of Shares	Approximate percentage of shareholding of the Company
Ching Chi Fai	Corporate ( <i>Note 1</i> )	183,666,600	30.61%
	Personal	2,042,000	0.34%
Ching Chau Chung	Corporate ( <i>Note 2</i> )	170,976,600	28.50%
Ching Chi Keung	Corporate ( <i>Note 3</i> )	44,499,600	7.42%
Chan Yim Ching	Corporate ( <i>Note 3</i> )	44,499,600	7.42%
Liu Zigang	Corporate ( <i>Note 4</i> )	23,857,200	3.98%

*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 Pacific Plus Limited ("Pacific Plus"), which is wholly-owned by Mr. Ching Chau Chung.
3. 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.
4. These Shares are owned by Favour Power Limited ("Favour Power"), which is wholly-owned by Mr. Liu Zigang.

### (2) Share options of the Company (long position)

Details of the share options granted to the Directors by the Company and outstanding as at 30 June 2009 are set out under the section headed "Options granted under the share option scheme" above.

Save as disclosed above, as at 30 June 2009, 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 2009, 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 and share options in the Company

Name of Substantial Shareholders	Capacity/nature of interest	Number of Shares	Approximate percentage of the issued share capital of the Company
Prosper Well International Limited	Beneficial owner	183,666,600 (Note 1)	30.61%
Ms. Lo Kit Ling	Family interest	185,708,600 (Note 1)	30.95%
Pacific Plus Limited	Beneficial owner	170,976,600 (Note 2)	28.50%
Ms. Wong Sei Hang	Family Interest	170,976,600 (Note 2)	28.50%
Targetwise Trading Limited	Beneficial owner	44,499,600 (Note 3)	7.42%
Ms. Po Fung Kiu	Family interest	44,499,600 (Note 4)	7.42%
Mr. Lee King Keung	Family Interest	44,499,600 (Note 5)	7.42%

#### Notes:

- 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). Mr. Ching Chi Fai also beneficially owned 2,042,000 Shares and 600,000 share options. Ms. Lo Kit Ling, being Mr. Ching Chi Fai's spouse, was deemed to be interested in the 185,708,600 Shares and 600,000 share options in which Mr. Ching Chi Fai had interests by virtue of Part XV of the SFO.
- These 170,976,600 Shares were owned by Pacific Plus Limited, which is wholly-owned by Mr. Ching Chau Chung (a non-executive Director). Mr. Ching Chau Chung also beneficially owned 600,000 share options. Ms. Wong Sei Hang, being Mr. Ching Chau Chung's spouse, was deemed to be interested in the 170,976,600 Shares and 600,000 share options in which Mr. Ching Chau Chung had interests by virtue of Part XV of the SFO.
- 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.
- Ms. Po Fung Kiu, being Mr. Ching Chi Keung's spouse, was deemed to be interested in the 44,499,600 Shares and 4,000,000 share options in which Mr. Ching Chi Keung had interests by virtue of Part XV of the SFO.
- Mr. Lee King Keung, being Ms. Chan Yim Ching's spouse, was deemed to be interested in the 44,499,600 Shares and 4,000,000 share options in which Ms. Chan Yim Ching had interests by virtue of Part XV of the SFO. In addition, Mr. Lee King Keung also beneficially owned 388,000 share options.

## 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 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2009, except for the following deviation:

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

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2009.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirements set out under the Model Code for the six months ended 30 June 2009.

## CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to pay an interim dividend of HK3.0 cents per share. The interim dividend will be distributed on or about 8 October 2009 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 24 September 2009. The register of members of the Company will be closed from Friday, 25 September 2009 to Wednesday, 30 September 2009, both dates inclusive. In order to qualify for the interim dividend, all transfers, 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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24 September 2009.

On behalf of the Board

**CHING Chi Fai**

*Chairman*

## Condensed Consolidated Balance Sheet

		(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights	5	15,062	15,245
Property, plant and equipment	5	138,906	134,850
Intangible assets	5	521	523
Investment in an associated company		392	278
Deferred income tax assets		6,924	6,214
<b>Total non-current assets</b>		<b>161,805</b>	157,110
<b>Current assets</b>			
Inventories		71,443	84,795
Trade and bills receivables	6	135,441	181,602
Amount due from an associated company		1,052	1,037
Prepaid income tax		4,759	6,666
Deposits, prepayments and other receivables		25,692	31,360
Restricted cash	7	73	65,888
Cash and cash equivalents	8	497,665	482,704
<b>Total current assets</b>		<b>736,125</b>	854,052
<b>Total assets</b>		<b>897,930</b>	1,011,162

The notes on pages 17 to 34 are an integral part of this condensed consolidated financial information.

		(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
	Note		
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	9	6,000	6,000
Share premium		408,242	408,242
Other reserves		318,357	296,292
Proposed interim/final dividend	15	18,000	50,400
		<u>750,599</u>	<u>760,934</u>
<b>Minority interest</b>		<u>2,473</u>	<u>–</u>
<b>Total equity</b>		<u>753,072</u>	<u>760,934</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<u>252</u>	<u>343</u>
<b>Total non-current liabilities</b>		<u>252</u>	<u>343</u>
<b>Current liabilities</b>			
Trade payables	11	60,038	82,968
Loan from a minority shareholder		580	495
Accruals and other payables		79,258	95,667
Current income tax liabilities		4,730	7,022
Borrowings	10	–	63,460
Derivative financial instruments		–	273
<b>Total current liabilities</b>		<u>144,606</u>	<u>249,885</u>
<b>Total liabilities</b>		<u>144,858</u>	<u>250,228</u>
<b>Total equity and liabilities</b>		<u>897,930</u>	<u>1,011,162</u>
<b>Net current assets</b>		<u>591,519</u>	<u>604,167</u>
<b>Total assets less current liabilities</b>		<u>753,324</u>	<u>761,277</u>

The notes on pages 17 to 34 are an integral part of this condensed consolidated financial information.

## Condensed Consolidated Statement of Comprehensive Income

	Note	(Unaudited)	
		Six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000
Revenue	4	345,792	393,877
Cost of sales	12	(241,128)	(284,268)
<b>Gross profit</b>		<b>104,664</b>	109,609
Distribution costs	12	(30,219)	(27,748)
Administrative expenses	12	(26,206)	(20,566)
Other income		2,562	7,612
<b>Operating profit</b>		<b>50,801</b>	68,907
Finance costs	10	(462)	(2,651)
Share of profit of an associated company		114	78
<b>Profit before income tax</b>		<b>50,453</b>	66,334
Income tax expenses	13	(10,726)	(12,353)
<b>Profit for the period</b>		<b>39,727</b>	53,981
<b>Other comprehensive (loss)/income</b>			
Currency translation differences		(88)	4,160
<b>Total comprehensive income for the period</b>		<b>39,639</b>	58,141
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		40,033	53,981
Minority interest		(306)	–
		<b>39,727</b>	53,981
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		39,946	58,141
Minority interest		(307)	–
		<b>39,639</b>	58,141
<b>Earnings per share attributable to equity holders of the Company (Expressed in HK\$)</b>			
– Basic	14	0.07	0.09
– Diluted	14	0.07	0.09
Dividends	15	0.03	–

The notes on pages 17 to 34 are an integral part of this condensed consolidated financial information.

## Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Share-based compensation reserve HK\$'000	Merger reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange reserves HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Minority interest HK\$'000	Total HK\$'000
<b>For the six months ended 30 June 2008 (Unaudited)</b>										
<b>Balance at 1 January 2008</b>	6,000	408,242	-	61,510	2,101	7,625	220,688	706,166	-	706,166
Profit for the period	-	-	-	-	-	-	53,981	53,981	-	53,981
Other comprehensive income: Currency translation differences	-	-	-	-	-	4,160	-	4,160	-	4,160
Total comprehensive income for the period ended 30 June 2008	-	-	-	-	-	4,160	53,981	58,141	-	58,141
Dividends related to 2007 paid in 2008	-	-	-	-	-	-	(50,400)	(50,400)	-	(50,400)
<b>Balance at 30 June 2008</b>	<u>6,000</u>	<u>408,242</u>	<u>-</u>	<u>61,510</u>	<u>2,101</u>	<u>11,785</u>	<u>224,269</u>	<u>713,907</u>	<u>-</u>	<u>713,907</u>
<b>Representing:</b>										
Share capital and reserves										713,907
Proposed interim dividend (note 15)										-
Balance at 30 June 2008										<u>713,907</u>
<b>For the six months ended 30 June 2009 (Unaudited)</b>										
<b>Balance at 1 January 2009</b>	6,000	408,242	-	61,510	6,569	11,923	266,690	760,934	-	760,934
Profit/(loss) for the period	-	-	-	-	-	-	40,033	40,033	(306)	39,727
Other comprehensive loss: Currency translation differences	-	-	-	-	-	(87)	-	(87)	(1)	(88)
Total comprehensive (loss)/income for the period ended 30 June 2009	-	-	-	-	-	(87)	40,033	39,946	(307)	39,639
Investment in a subsidiary	-	-	-	-	-	-	-	-	2,780	2,780
Share option scheme – value of employee services	-	-	119	-	-	-	-	119	-	119
Dividends related to 2008 paid in 2009	-	-	-	-	-	-	(50,400)	(50,400)	-	(50,400)
<b>Balance at 30 June 2009</b>	<u>6,000</u>	<u>408,242</u>	<u>119</u>	<u>61,510</u>	<u>6,569</u>	<u>11,836</u>	<u>256,323</u>	<u>750,599</u>	<u>2,473</u>	<u>753,072</u>
<b>Representing:</b>										
Share capital and reserves										732,599
Proposed interim dividend (note 15)										18,000
Minority interest										750,599
Balance at 30 June 2009										<u>753,072</u>

The notes on pages 17 to 34 are an integral part of this condensed consolidated financial information.



## Condensed Consolidated Cash Flow Statement

	(Unaudited)	
	For the six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Net cash generated from operating activities	70,990	29,357
Net cash used in investing activities	(10,751)	(6,009)
Net cash used in financing activities	(45,181)	(72,859)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>15,058</b>	(49,511)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>482,704</b>	535,024
<b>Exchange differences on cash and cash equivalents</b>	<b>(97)</b>	955
Cash and cash equivalents at the end of the period	<u>497,665</u>	<u>486,468</u>

The notes on pages 17 to 34 are an integral part of this condensed consolidated financial information.

# Notes to the Condensed Consolidated 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, PO Box 309GT, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands.

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

This condensed consolidated financial information is presented in thousands of units of HK dollars (HK\$'000), unless otherwise stated. This condensed consolidated financial information has been approved for issue by the Board of Directors on 3 September 2009.

This condensed consolidated financial information has not been audited.

## 2 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 30 June 2009 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 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computations adopted in the preparation of this unaudited condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in the annual report for the year ended 31 December 2008.

### 3 ACCOUNTING POLICIES (continued)

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one performance statement: a statement of comprehensive income. The financial information have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The financial information has been prepared under the new requirement.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

### 3 ACCOUNTING POLICIES (continued)

- Amendment to HKFRS 2, 'Share-based payment'. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amended standard does not have a material impact on the Group's financial statements.

All 'non-vesting conditions' and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted.

All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

- HKAS 23 (amendment), 'Borrowing costs'.
- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) 13, 'Customer loyalty programmes'.
- HK(IFRIC) 15, 'Agreements for the construction of real estate'.
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

### 3 ACCOUNTING POLICIES (continued)

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

Amendment to HKAS 39	'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009
HKFRS 3 (revised)	'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective for annual periods beginning on or after 1 July 2009
HK(IFRIC) 17	'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009
HK(IFRIC) 18	'Transfers of assets from customers', effective for annual periods beginning on or after 1 July 2009

HKICPA's improvements to HKFRS published in May 2009:

Amendment to HKFRS 2	'Share-based payments', effective for annual periods beginning on or after 1 July 2009
Amendment to HKFRS 5	'Non-current assets held for sale and discontinued operations', effective for annual periods beginning on or after 1 January 2010
Amendment to HKFRS 8	'Operating segments', effective for annual periods beginning on or after 1 January 2010
Amendment to HKAS 1	'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2010
Amendment to HKAS 7	'Statement of cash flows', effective for annual periods beginning on or after 1 January 2010
Amendment to HKAS 17	'Leases', effective for annual periods beginning on or after 1 January 2010
Amendment to HKAS 36	'Impairment of assets', effective for annual periods beginning on or after 1 January 2010
Amendment to HKAS 38	'Intangible assets', effective for annual periods beginning on or after 1 July 2009
Amendment to HKAS 39	'Financial instruments: recognition and measurement', effective for annual periods beginning on or after 1 January 2010
Amendment to HK(IFRIC) 9	'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1 July 2009
Amendment to HK(IFRIC) 16	'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1 July 2009

Management is assessing the impact of the above amendments to standards and interpretations, which have been issued but are not effective for 2009, on the Group's operations.

#### 4 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors (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 ("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. Assets are allocated based on where the assets are 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.

The segment information is presented on consolidation basis, therefore, no inter-segment transaction for the six months ended 30 June 2009 and 2008 is presented.

In allocating the depreciation and amortisation charges, the Board apportions the charges with reference to respective segment revenue, as this result in a fair representation of performance. Other information provided to the management is measured in a manner consistent with that in the financial information.



#### 4 SEGMENT INFORMATION (continued)

	North America HK\$'000	Europe HK\$'000	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
<b>As at 30 June 2009</b>								
Total assets	50,538	20,253	308,054	490,165	3,832	24,223	865	897,930
Include:								
Investment in an associated company	-	-	-	-	-	392	-	392
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	15,469	75	6	13	-	15,563
<b>As at 31 December 2008</b>								
Total assets	65,239	36,620	381,794	492,989	11,094	21,078	2,348	1,011,162
Include:								
Investment in an associated company	-	-	-	-	-	278	-	278
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	21,219	2,684	376	619	-	24,898

#### Notes:

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

The Group is domiciled in Hong Kong and PRC. The result of its revenue from external customers in Hong Kong and PRC for the six months ended 30 June 2009 is approximately HK\$104,544,000 (for the six months ended 30 June 2008: approximately HK\$110,862,000), and the total of its revenue from external customers from other countries is approximately HK\$241,248,000 (2008: approximately HK\$283,015,000).



#### 4 SEGMENT INFORMATION (continued)

At 30 June 2009, the total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong and PRC are approximately HK\$153,453,000 (At 31 December 2008: approximately HK\$149,484,000), and the total of these non-current assets located in other countries is approximately HK\$1,036,000 (At 31 December 2008: approximately HK\$1,134,000).

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

	Leasehold land and land use rights HK\$'000	Property, plant and equipment HK\$'000	Intangible assets HK\$'000
<b>For the six months ended 30 June 2009</b>			
<b>(Unaudited)</b>			
<b>Opening net book value at</b>			
<b>1 January 2009</b>	15,245	134,850	523
Additions	–	15,510	53
Disposals	–	(140)	–
Depreciation and amortisation	(180)	(11,327)	(55)
Exchange difference	(3)	13	–
	<hr/>	<hr/>	<hr/>
<b>Closing net book value at</b>			
<b>30 June 2009</b>	<u>15,062</u>	<u>138,906</u>	<u>521</u>

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

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

The Group has entered into a Renminbi ("RMB") 35 million banking facilities arrangement on 23 March 2009, which has not been utilised as at 30 June 2009. The banking facilities are secured by certain leasehold land and land use rights with an aggregate carrying value of approximately HK\$2,169,000 and property, plant and equipments with a net carrying value of approximately HK\$27,160,000.

## 6 TRADE AND BILLS RECEIVABLES

	<b>(Unaudited)</b> <b>30 June</b> <b>2009</b> <b>HK\$'000</b>	(Audited) 31 December 2008 HK\$'000
Trade receivables	<b>137,768</b>	181,299
Bills receivables	<b>6,639</b>	6,508
	<b>144,407</b>	187,807
Less: provision for impairment of receivables	<b>(8,966)</b>	(6,205)
Trade and bills receivables, net	<u><b>135,441</b></u>	<u>181,602</u>

## 6 TRADE AND BILLS RECEIVABLES (continued)

Ageing analysis of trade and bills receivables as at 30 June 2009 and 31 December 2008 is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
Current	75,948	99,379
1 – 30 days	32,827	43,570
31 – 60 days	11,029	18,745
61 – 90 days	5,430	9,305
91 – 180 days	7,768	9,699
Over 180 days	11,405	7,109
	<u>144,407</u>	<u>187,807</u>

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

## 7 RESTRICTED CASH

As at 30 June 2009, a subsidiary of the Group placed a deposit in a bank in the PRC amounting to RMB64,000 (equivalent to approximately HK\$73,000) as required by the Customs Department of the PRC for conducting export sales. The deposit will be released in July 2009. The balance as at 31 December 2008 represented mandatory reserve deposit placed in bank as pledges against the US dollars ("US\$") denominated loans. The deposit was cleared during the period after the repayment of the loans. Please refer to note 10 "Borrowings" for further details of the arrangement.

## 8 CASH AND CASH EQUIVALENTS

	(Unaudited)	(Audited)
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
Cash at banks and on hand	112,941	99,361
Short-term bank deposits	384,724	383,343
	<u>497,665</u>	<u>482,704</u>

The Group's cash and bank balances denominated in RMB amounted to approximately HK\$28,572,000 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 SHARE CAPITAL

	Number of shares HK\$0.01 each	Ordinary shares HK\$'000
<b>Authorised</b>		
At 31 December 2008 and 30 June 2009	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid</b>		
At 31 December 2008 and 30 June 2009	<u>600,000,000</u>	<u>6,000</u>

### Share option scheme

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.

At 23 June 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 date of grant and the remaining of 50% of the options are only exercisable after four years from date of grant. The options shall lapse on 23 June 2019. No share option was cancelled or lapsed during the six months ended 30 June 2009.

The fair value of the share options granted on 23 June 2009, determined using the binominal model (the "Model") was approximately HK\$14,494,000. The significant inputs into the model were the closing price of the share on the grant date of HK\$1.11 per share, the expected dividend yield rate of 6.51% and risk-free rate of 2.865%. The volatility measured is based on 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.

Movements in share options granted under the Scheme during the period from 1 January 2009 to 30 June 2009 are as follows:

	Exercise price in HK\$ per share	Number of share options
<b>As at 1 January 2009</b>	–	–
Granted during the period	1.12	32,000,000
Lapsed during the period	<u>–</u>	<u>–</u>
<b>As at 30 June 2009</b>	<u>1.12</u>	<u>32,000,000</u>

## 10 BORROWINGS

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Secured short-term bank loans	<u>–</u>	<u>63,460</u>

Movements in borrowings are analysed as follows:

	HK\$'000
<b>For the six months ended 30 June 2009 (Unaudited)</b>	
At 1 January 2009	63,460
Proceeds from new borrowings	–
Repayments of borrowings	(63,469)
Exchange difference	<u>9</u>
At 30 June 2009	<u>–</u>
<b>For the six months ended 30 June 2008 (Unaudited)</b>	
At 1 January 2008	52,192
Proceeds from new borrowings	61,323
Repayments of borrowings	(32,644)
Exchange difference	<u>452</u>
At 30 June 2008	<u>81,323</u>

In 2008, a subsidiary of the Group entered into arrangements with a bank in the PRC. Under these arrangements, borrowings denominated in US\$ with maturities of 12 months were drawn. Simultaneously, RMB equivalent amounts in the forms of fixed term deposits and having same maturities with the US\$ loans, were placed with that bank. These RMB deposits were used to pledge against the loans (note 7). The RMB deposits would be converted to US\$ at forward exchange rates specified in the arrangements upon maturities for repayment of the US\$ loans. Forward contracts of HK\$273,000 were recognised as derivative financial instruments, which were initially recognised and subsequently remeasured at their fair values. Changes in fair values of the forward contracts were recognised in the condensed consolidated statement of comprehensive income. All borrowings have been settled during the six months ended 30 June 2009.

Interest expense on borrowings and loans for the six months ended 30 June 2009 is approximately HK\$462,000 (for the six months ended 30 June 2008: approximately HK\$2,651,000).

## 11 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
Current	<b>38,978</b>	51,372
1 – 30 days	<b>15,678</b>	25,035
31 – 60 days	<b>840</b>	2,828
61 – 90 days	<b>571</b>	379
Over 90 days	<b>3,971</b>	3,354
	<b>60,038</b>	82,968

## 12 EXPENSES BY NATURE

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

	(Unaudited) Six months ended 30 June 2009 HK\$'000	2008 HK\$'000
Changes in inventories	<b>173,531</b>	209,260
Auditor's remuneration	<b>551</b>	581
Amortisation of leasehold land and land use rights	<b>180</b>	160
Depreciation of property, plant and equipment	<b>11,327</b>	10,477
Amortisation of intangible assets	<b>55</b>	52
Operating lease rental in respect of buildings	<b>1,500</b>	1,065
Provision for obsolete inventories	<b>667</b>	1,810
Provision for impairment of trade and bills receivables	<b>2,768</b>	1,298
Write-off of bad debts	<b>26</b>	34
Employee benefit expenses	<b>58,994</b>	55,447
Transportation expenses	<b>14,336</b>	12,868
Exchange losses/(gains)	<b>1,826</b>	(3,717)
Advertising costs	<b>751</b>	1,245

### 13 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	
	2009	2008
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	8,963	12,812
– PRC enterprise income tax	2,584	497
– Singapore income tax	(20)	(127)
	11,527	13,182
Deferred income tax	(801)	(829)
	10,726	12,353

Hong Kong profits tax is calculated at 16.5% (2008: 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 new Foreign Enterprise Income Tax Law in the PRC became effective since 1 January 2008 and the tax rate applicable to a subsidiary in Shenzhen has been adjusted to 20% (2008: 18%).

### 14 EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of HK\$40,033,000 (2008: HK\$53,981,000) by weighted average number of 600,000,000 (2008: 600,000,000) ordinary shares in issue during the period.

#### (b) Diluted

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. For the six months ended 30 June 2008, diluted earnings per share was also the same as basic earnings per share as there was no potential dilutive ordinary share outstanding.

## 14 EARNINGS PER SHARE (continued)

### (b) Diluted (continued)

The calculations of basic and diluted earnings per share are based on the followings:

	(Unaudited)	
	Six months ended	
	30 June	
	2009	2008
	HK\$'000	HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share	40,033	53,981
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings	600,000,000	600,000,000
Weighted average number of ordinary shares for the purpose of diluted earnings	600,000,000	600,000,000

## 15 DIVIDENDS

The Board has resolved to pay an interim dividend of HK\$0.03 per share, amounting to a total dividend of HK\$18,000,000, in respect of the six months ended 30 June 2009 (for the six months ended 30 June 2008: Nil).

For the year ended 31 December 2008, a final dividend of HK\$0.084 per share, amounting to a total dividend of HK\$50,400,000, was proposed by the Board on 12 March 2009, which was approved by the Company's shareholders on 5 May 2009 and payable on 15 May 2009.

## 16 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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



## 16 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (a) Significant related party transactions

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

<u>Name of related party</u>	<u>Principal business activities</u>	<u>Relationship with the Group</u>
Liu Zigang	Not applicable	Shareholder 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
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 non-executive director of the Company

**(Unaudited)**  
**Six months ended**  
**30 June**

	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>

(i) Sales of goods		
– to Quality Amenities Supply (M) Sdn. Bhd.	<b>398</b>	<b>71</b>
(ii) Rental charged		
– by Ming Fai Plastic Industrial Company	<b>487</b>	405
– by Liu Zigang	<b>75</b>	73
(iii) Purchase of assets and services rendered from		
– Consultancy service from Advance Management Consultants Limited	<b>199</b>	237
– Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd.	<b>247</b>	178

## 16 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (a) Significant related party transactions (continued)

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

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

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

The Group leased one office premise in the PRC from Mr. Liu Zigang. The transactions are carried out at normal commercial terms.

### (b) Key management compensation

	(Unaudited)	
	Six months ended	
	30 June	
	2009	2008
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	2,621	3,209
Contributions to pension plans	36	32
Share-based payments	77	–
	<u>2,734</u>	<u>3,241</u>

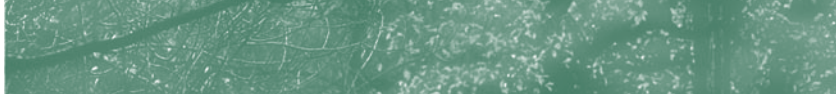
## 17 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2009, the capital commitment of the Group was HK\$79.9 million (2008: HK\$6.3 million). Capital commitments at 30 June 2009 include a commitment of HK\$77.5 million, for the set up of a wholly owned subsidiary in the PRC, as disclosed in Note 19.

At 30 June 2009 and 2008, the Group had no material contingent liabilities.

## 18 SEASONALITY

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



## 19 EVENT AFTER BALANCE SHEET DATE

On 16 July 2009, a wholly owned subsidiary of the Group entered into a project investment agreement with the Management Committee of Economic Development Area of Changshu City Jiangsu Province of the PRC. Pursuant to the agreement, the Group will bid for the land use right of a piece of industrial land of approximately 20,668 m<sup>2</sup> in Jiangsu Province of the PRC for a period of 50 years. A formal sale and purchase agreement in relation to the land use right will be entered into upon the success of the bid. A wholly foreign owned enterprise (“WFOE”) principally engaged in the laundry business, with registered capital of US\$10 million (equivalent to approximately HK\$78 million) will be set up.

