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## Corporate Information

### BOARD OF DIRECTORS

*Executive Directors:*

Mr. CHING Chi Fai (*Chairman*)  
Mr. CHING Chi Keung  
Mr. LIU Zigang  
Mr. LEE King Hay  
Ms. CHAN Yim Ching  
Mr. LEUNG Ping Shing

*Non-executive Director:*

Mr. NG Bo Kwong

*Independent non-executive Directors:*

Mr. SUN Kai Lit Cliff *BBS, JP*  
Mr. HUNG Kam Hung Allan  
Mr. MA Chun Fung Horace

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### EXECUTIVE COMMITTEE

Mr. CHING Chi Fai (*Chairman*)  
Mr. CHING Chi Keung  
Mr. LIU Zigang  
Mr. LEE King Hay  
Ms. CHAN Yim Ching  
Mr. LEUNG Ping Shing

### NOMINATION COMMITTEE

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

### INVESTMENT COMMITTEE

Mr. CHING Chi Fai (*Chairman*)  
Mr. MA Chun Fung Horace  
Mr. KEUNG Kwok Hung

### COMPANY SECRETARY

Ms. YIM Wing Sze *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  
17M Floor,  
Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong

### REGISTERED OFFICE

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

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

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

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

Bainikeng, Pinghu, Longgang  
Shenzhen, the PRC

### WEBSITE

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

### STOCK CODE

3828

# Management Discussion and Analysis

## TO THE SHAREHOLDERS

The board of directors (the "Board") of Ming Fai International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 as follows:

## FINANCIAL REVIEW

Set out below are the unaudited interim consolidated key financial highlights of the Group:

	<b>2011</b>	2010	Change
	<b>HK\$ million</b>	HK\$ million	in %
		(Restated)	
Revenue	<b>706.8</b>	458.7	54.1%
Gross profit	<b>184.4</b>	124.9	47.6%
Profit attributable to equity holders of the Company	<b>66.9</b>	48.1	39.3%
Net asset value as at 30 June 2011 and 31 December 2010	<b>1,090.7</b>	974.4	11.9%
Basic earnings per share attributable to equity holders of the Company (HK cents)	<b>10.5</b>	8.0	31.3%
Diluted earnings per share attributable to equity holders of the Company (HK cents)	<b>10.2</b>	7.9	29.1%
Dividend per share (HK cents)	<b>1.5</b>	3.5	

Total consolidated revenue for the six months ended 30 June 2011 was HK\$706.8 million, an increase of HK\$248.1 million or 54.1%, as compared with the same period last year, reflecting sales growth in most of the Group's geographic areas. Profit attributable to equity holders of the Company was HK\$66.9 million for the six months ended 30 June 2011, an increase of 39.3%, compared with HK\$48.1 million (as restated) in the corresponding period.

Basic earnings per share was HK10.5 cents (2010: HK8.0 cents (as restated)).

The overall gross profit margin for the period decreased to 26.1% for the six months ended 30 June 2011 from 27.2% for the six months ended 30 June 2010 which was mainly due to higher labour costs.

The consolidated net asset value increased to HK\$1,090.7 million as at 30 June 2011 from HK\$974.4 million (as restated) as at 31 December 2010.

The Board has resolved to pay interim dividend of HK1.5 cents per share for the six months ended 30 June 2011 (2010: HK3.5 cents per share).

The Group's profit for the six months ended 30 June 2011 included the following items:

- Increase in the fair value of investment properties of HK\$6.0 million (2010: HK\$6.0 million);
- Compensation expenses for the fair value of share options granted to the eligible employees (including directors) of HK\$5.6 million (2010: HK\$3.2 million);
- Amortisation of intangible assets of HK\$1.1 million (2010: HK\$0.1 million);
- A loss of HK\$6.3 million in respect of its operation in laundry plant in Jiangsu Province, the PRC (100% owned by the Group) which has just commenced operation in March 2011 (2010: HK\$0.2 million);
- A loss of HK\$4.2 million in respect of its 51% held retail business under a brand "everyBody Labo" (2010: HK\$5.3 million).

## BUSINESS REVIEW

With the continuous recovery of the emerging markets in APAC region, especially high domestic demand in the Mainland China, the Group has again recorded a significant sales growth in the first half of 2011. Total consolidated revenue of HK\$706.8 million was 54.1% higher than the first half of 2010.

The results of the core operations of the Group (the manufacturing and distribution business of hotel amenities) in the first half of 2011 showed a dramatic growth as compared to the same period of 2010. This was mainly due to the continuous strong demand from emerging Asia, particularly in the PRC. In the first six months of 2011, North America remained as the Group's largest market, contributing 34.1% of total revenue for hotel amenities segment. The Greater China region (including the PRC and Hong Kong) became the second largest revenue contributor which contributed 33.6% of total revenue for hotel amenities segment, reflecting the insights of the Group's strategic planning on focusing in the emerging markets. Europe and other Asia Pacific countries (excluding Australia), Australia and others accounted for 28.3%, 2.6% and 1.4% of total revenue for hotel amenities segment, respectively. With the rapid growth in demand in the PRC, the Group believes that the Greater China region will become the largest revenue contributor in the foreseeable future.

During the first six months of 2011, a total amount of HK\$130.1 million of revenue was recorded for All Team Group which mainly comprised the "7 Magic" retail business, representing 18.4% of the total revenue for the Group. Sales growth was mainly driven by newly opened stores in the first half year, most of them were opened in the second quarter. Both gross margin and net margin were fairly stable.

The key information of All Team Group Limited and its subsidiaries (“All Team Group”) are set out below:

	<b>As at 30 June 2011</b>	As at 31 December 2010
Number of outlets		
– Shops under franchise contracts	<b>1,150</b>	1,013
– Dealers	<b>359</b>	366
– Self-owned shops	<b>3</b>	2
	<b>1,512</b>	1,381
	<b>Six months ended 30 June 2011</b>	Year ended 31 December 2010
Gross profit margin	<b>33.7%</b>	32.9%
Net profit margin	<b>18.0%</b>	18.3%

### **Core Operation – Continuous strong growth**

Results of the core operation in the first half of 2011 reflected a continuous high demand in emerging Asia following by the rebound effects in 2010, particularly high domestic demand in the PRC. During the period under review, the Group continued to obtain new contracts from global chain and individual hotels, the Group also saw a significant high growth in the PRC and expansions of international hotels chains. Asian market takes the lead on economy recovery. During the period, the raw material prices were relatively stable. However, the increasing labour cost in the PRC has become a major pressure on profit margin following the introduction of new regulations on minimum wages and Housing Fund in 2011. Despite the impact of increasing costs, the Group has maintained a competitive pricing strategy to gain market share. The Group will strive to maintain the leading position in the hotel amenities industry by providing wide range of high quality hotel amenities to customers together with our well established and highly diversified worldwide distribution networks. We are very confident that the Group will continue increasing its market share with more focus on the Asia Pacific region. Besides, by adopting appropriate operating strategies, the Group will strive to maximise its shareholders value in this very challenging business environment.

### **New Retail Business – 7 Magic**

In the first six months of 2011, retail environment in the PRC remained strong due to increasing consumption. The “7 Magic” business generated turnover of HK\$126.5 million representing 17.9% of total revenue of the Group for the first half of 2011. Revenue was increased as a result of increased number of outlets. In March 2011, 8 new series of cosmetic and skin care products with 170 stock keeping units (SKUs) were developed by our in-house research and development team and 5 of them (with 110 SKUs) were launched to the market providing a wider range of choices for our target customers.

For the period under review, we continued to focus on the fast growing consumption demand from the second and third-tier cities in China. We believe that the sustainability of our success is built on the foundation of excellent franchise management control and system. Riding on the booming younger female fashion accessories and cosmetic market in China, the “7 Magic” business has become one of the major revenue generators for the Group. With the synergies brought to the Group, the “7 Magic” business will play a more important role in the foreseeable future.

### **Retail Brand – everyBody Labo**

The Group’s first own personal body care retail brand “everyBody Labo” has started developing its brand awareness through putting its products on the shelves of “Mannings” in Hong Kong and directly opening counters in “Harvey Nichols Hong Kong” in late 2010. The total points of sales added up to over 180 in the region. In the PRC, the products were sold through distributors to counters in cosmetics shops. In this early developing stage, a loss of HK\$4.2 million (2010: HK\$5.3 million) was recorded for the period under review. The amount of loss was decreased as the self-owned store in Causeway Bay was closed in December 2010, thus lowering the cost of rental expenses. The Mongkok store is scheduled to close down in November 2011 upon termination of its lease agreement. The Group targets to achieve breakeven before the end of 2011.

### **Laundry services – Commenced operation in March 2011**

In March 2011, the Group’s newly constructed laundry plant in Jiangsu Province has commenced its operation mainly to provide laundry services for hotels customers around the area. The Group believes that commercial laundry is not only a key element of total solution services to hotels but further enhances the Group’s presence in the hotel related industries and boosts the Group’s profits in the long run. During the first four months of operation, the Group has secured five new contracts. In this investing stage, a loss of HK\$6.3 million was incurred for the period under review. The Group expects that more contracts will be secured in the second half of the year and targets to become breakeven by the end of 2011.

## **PROSPECTS**

Doubt continued to surround the global economy amidst the US national debts and European sovereign debt crisis. Nevertheless, the Group will remain cautiously optimistic for both the short and long term outlook by adopting appropriate strategies to cope with the various challenges.

Though the rising labour and material costs affected the gross margin of the Group’s operation in the first half of 2011, the Group will continue to exercise stringent control over production costs and improve its manufacturing processes. Through the backup of the PRC’s strong economic growth momentum, together with the central government’s 12th Five-Year plan which gives distinctive focus on increasing disposable income and intensifying urbanization, the Group believes that it will continuously benefit from both rising of the nation’s income and living standards which will be reflected in the retail and consumption sectors in the long run.

Looking forward, the Group will continue to focus its core business by soliciting orders from existing and new customers as well as to develop its new retail business. Sustainable development and the ability to generate long-term growth for its shareholders are still the Group’s priority. Despite in this tough time, the Group will continue to enhance its core values so as to gain more market share, broaden the profit base and diversify its business.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group's cash and cash equivalents amounted to HK\$147.4 million (2010: HK\$158.8 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 Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% per annum or 1.75% below Hong Kong dollars ("HK\$") Prime Rate, whichever is the lower. The facility is secured by the office premises with the maturity date on 27 November 2019. As at 30 June 2011, the outstanding borrowing of this facility amounted to HK\$54.6 million (2010: HK\$57.7 million). Details of the borrowings are set out in note 16 to the condensed consolidated interim financial information.

In August 2010, the Group has obtained a Renminbi ("RMB") denominated revolving loan acquired for working capital, which bears interest at the three months lending rate of The People's Bank of China times 1.15. A property and related land use rights were pledged against the revolving loan with the maturity date of 2 August 2011. As at 30 June 2011, the outstanding borrowing of this loan amounted to HK\$11.9 million (2010: HK\$11.7 million).

The gearing ratio as at 30 June 2011, calculated on the basis of borrowings over total equity attributable to the equity holders of the Company, is 7.9% as compared with 7.1% as at 31 December 2010.

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 2011, subsidiaries of the Company pledged assets with aggregate carrying value of HK\$195.5 million (2010: HK\$190.9 million) to secure drawn bank borrowings.

Certain assets of approximately HK\$26.9 million (2010: HK\$27.4 million) with aggregate carrying value were pledged to secure undrawn banking facilities.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2011, the capital commitments of the Group were HK\$15.8 million (2010: HK\$36.4 million). At the balance sheet date, the Group had no material contingent liabilities.

## EMPLOYEES

As at 30 June 2011, the total number of employees of the Group was approximately 5,100. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees to stay on top of their skills and knowledge.

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

## SHARE OPTION SCHEME

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

On 10 February 2011, share options to subscribe for 1,100,000 shares were granted to certain eligible employees of the Company at an exercise price of HK\$2.83 per share. The closing price of shares on the date of grant was HK\$2.73 per share.

Particulars of movements in the share options during six months ended 30 June 2011 are as follows:

Grantee	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				
				Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2011
<b>Directors</b>								
Mr. CHING Chi Fai	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	300,000
Mr. CHING Chi Keung	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
Ms. CHAN Yim Ching	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
Mr. LIU Zigang	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
Mr. LEE King Hay	23-6-2009	23-6-2011 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	2,000,000	–	–	–	2,000,000
Mr. LEUNG Ping Shing	14-9-2010	14-9-2011 to 13-9-2020	2.80	300,000	–	–	–	300,000
	14-9-2010	14-9-2012 to 13-9-2020	2.80	300,000	–	–	–	300,000
Mr. NG Bo Kwong	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	300,000	–	–
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	300,000
Mr. SUN Kai Lit Cliff	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	300,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	300,000
Mr. HUNG Kam Hung	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	300,000
Allan	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	300,000
Mr. MA Chun Fung	23-6-2009	23-6-2011 to 22-6-2019	1.12	300,000	–	–	–	300,000
Horace	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	300,000
<b>Employees</b>								
In aggregate	23-6-2009	23-6-2011 to 22-6-2019	1.12	5,621,000 <sup>1</sup>	–	775,000	–	4,846,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	5,621,000 <sup>1</sup>	–	–	–	5,621,000
	7-5-2010	7-5-2011 to 6-5-2020	3.72	1,850,000	–	–	50,000	1,800,000
	7-5-2010	7-5-2012 to 6-5-2020	3.72	1,850,000	–	–	50,000	1,800,000
	14-9-2010	14-9-2011 to 13-9-2020	2.80	579,000	–	–	–	579,000
	14-9-2010	14-9-2012 to 13-9-2020	2.80	579,000	–	–	–	579,000
	10-2-2011	10-2-2012 to 9-2-2021	2.83	–	550,000	–	–	550,000
	10-2-2011	10-2-2013 to 9-2-2021	2.83	–	550,000	–	–	550,000
Total				<u>35,700,000</u>	<u>1,100,000</u>	<u>1,075,000</u>	<u>100,000</u>	<u>35,625,000</u>

## Notes:

- Included in employees was 388,000 share options granted to Mr. LEE King Keung, being spouse of Ms. CHAN Yim Ching who is an executive Director of the Company.
- In assessing the fair value of the share options granted during the period, the binomial model (the "Model") has been used. The Model is one of the generally accepted methodologies used to calculate the fair value of share options and is one of the recommended option pricing models set out in Chapter 17 of Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The variables of the Model include expected life of the options, 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\$
Employees	10-2-2011	10-2-2012	3.050%	58%	4.86%	1.2699
		10-2-2013	3.050%	58%	4.86%	1.2674

- 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.
- 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.
- Based on historic pattern, it is assumed that dividend yield is 4.86% during the expected life of the options.
- It should be noted that the value of share options calculated using the Model is based on various assumptions and is only an estimate of the fair value of share 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\$1,395,498, calculated as follows:

Grantee	Date of grant	Vesting date	Number of share options granted during the period	Estimated fair value of share options granted during the period HK\$
Employees	10-2-2011	10-2-2012	550,000	698,420
		10-2-2013	550,000	697,078
TOTAL			1,100,000	1,395,498

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

As at 30 June 2011, the Directors had the following interests in the shares and underlying shares of the Company and its associated corporations which were recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code"):

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

Name of Director	Nature of interests	Interest in number of shares	Approximate percentage of shareholding of the Company
Mr. CHING Chi Fai	Corporate (Note 1)	165,166,600	24.72%
	Personal (Note 4)	9,057,000	1.36%
Mr. CHING Chi Keung	Corporate (Note 2)	32,499,600	4.86%
	Personal (Note 4)	4,000,000	0.60%
Ms. CHAN Yim Ching	Corporate (Note 2)	32,499,600	4.86%
	Personal (Note 4)	4,388,000	0.66%
Mr. LIU Zigang	Corporate (Note 3)	20,057,200	3.00%
	Personal (Note 4)	4,000,000	0.60%
Mr. LEE King Hay	Personal (Note 4)	5,690,000	0.85%
Mr. LEUNG Ping Shing	Personal (Note 4)	1,850,000	0.28%
Mr. NG Bo Kwong	Personal (Note 4)	600,000	0.09%
Mr. HUNG Kam Hung Allan	Personal (Note 4)	600,000	0.09%
Mr. SUN Kai Lit Cliff	Personal (Note 4)	600,000	0.09%
Mr. MA Chun Fung Horace	Personal (Note 4)	600,000	0.09%

#### Notes:

- These shares are owned by Prosper Well International Limited ("Prosper Well"), which is wholly-owned by Mr. CHING Chi Fai.
- These shares are owned by Targetwise Trading Limited ("Targetwise"), which is owned as to 50% and 50% by Mr. CHING Chi Keung and Ms. CHAN Yim Ching respectively.
- These shares are owned by Favour Power Limited ("Favour Power"), which is wholly-owned by Mr. LIU Zigang.
- Options granted to the above Directors under the Share Option Scheme as at 30 June 2011 are set out the section headed "Share Option Scheme" above.

Save as disclosed above, as at 30 June 2011, 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 2011, so far as the Directors are aware of, the following substantial shareholders (other than a Director or chief executive of the Company) had interests in 5% or more of the Company's issued share capital:

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

Name of substantial shareholders	Capacity/ nature of interest	Interest in number of shares	Approximate percentage of shareholding of the Company
Prosper Well International Limited	Beneficial owner	165,166,600 (Note 1)	24.72%
Ms. LO Kit Ling	Family interest	174,223,600 (Note 1)	26.07%
Ms. PO Fung Kiu	Family interest	36,499,600 (Note 2)	5.46%
Mr. LEE King Keung	Personal and Family Interest	36,887,600 (Note 3)	5.52%
Atlantis Fund Management (Guernsey) Limited	Investment Manager	53,792,000 (Note 4)	8.05%
Atlantis Investment Management (Hong Kong) Limited	Investment Manager	53,792,000 (Note 4)	8.05%
Ms. LIU Yang	Interest of controlled corporation	53,792,000 (Note 4)	8.05%

#### Notes:

- 165,166,600 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 8,457,000 shares and held a share option to subscribe 600,000 shares. Ms. LO Kit Ling, being Mr. CHING Chi Fai's spouse, was deemed to be interested in the 174,223,600 shares in which Mr. CHING Chi Fai had interests by virtue of Part XV of the SFO.
- Ms. PO Fung Kiu, being Mr. CHING Chi Keung's spouse, was deemed to be interested in the 36,499,600 shares in which Mr. CHING Chi Keung had interests by virtue of Part XV of the SFO.
- Mr. LEE King Keung held a share option to subscribe 388,000 shares. Mr. LEE, being Ms. CHAN Yim Ching's spouse, was deemed to be interested in the 36,887,600 shares in which Ms. CHAN Yim Ching had interests by virtue of Part XV of the SFO.
- Atlantis Investment Management (Hong Kong) Limited is 100% controlled by Ms. LIU Yang.

## **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 2011, 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 code provisions set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2011, 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 2011.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions on 5 October 2007. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirements set out under the Model Code for the six months ended 30 June 2011.

## **CLOSURE OF REGISTER OF MEMBERS**

The Board has resolved to pay an interim dividend of HK1.5 cents per share for the six months ended 30 June 2011 to the shareholders whose names appear in the register of member of the Company on 29 September 2011. The interim dividend will be distributed on or about 7 October 2011.

The register of members will be closed from Thursday, 22 September 2011 to Thursday 29 September 2011 (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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 21 September 2011.

## Interim Condensed Consolidated Balance Sheet

		(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	10	334,336	328,713
Land use rights	7	26,095	25,966
Property, plant and equipment	8	327,647	281,276
Investment properties	9	110,584	104,423
Intangible assets	10	17,393	18,214
Long-term prepayments and receivables		34,439	27,560
Investment in an associated company		619	561
Deferred income tax assets		2,440	2,981
<b>Total non-current assets</b>		<b>853,553</b>	<b>789,694</b>
<b>Current assets</b>			
Inventories		168,192	148,192
Trade and bills receivables	11	300,920	247,884
Amount due from an associated company		952	764
Prepaid tax		4,297	5,864
Deposits, prepayments and other receivables		65,382	70,474
Restricted cash	13	1,204	2,544
Cash and cash equivalents	12	147,437	158,846
<b>Total current assets</b>		<b>688,384</b>	<b>634,568</b>
<b>Total assets</b>		<b>1,541,937</b>	<b>1,424,262</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	14	6,682	6,371
Share premium	14	559,314	495,591
Other reserves		521,204	447,906
Proposed interim/final dividend	21	10,023	28,671
		<b>1,097,223</b>	<b>978,539</b>
Non-controlling interests		<b>(6,512)</b>	<b>(4,182)</b>
<b>Total equity</b>		<b>1,090,711</b>	<b>974,357</b>

The notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

## Interim Condensed Consolidated Balance Sheet

		(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term bank borrowings	16	48,332	51,497
Long-term payables		10,997	10,471
Deferred income tax liabilities		10,897	11,053
<b>Total non-current liabilities</b>		<u>70,226</u>	<u>73,021</u>
<b>Current liabilities</b>			
Current portion of long-term bank borrowings	16	6,261	6,207
Short-term bank borrowings	16	31,920	11,719
Trade payables	17	128,023	149,640
Accruals and other payables		171,712	178,007
Current income tax liabilities		36,878	25,971
Loan from non-controlling interests		4,710	4,682
Dividends payable		1,496	658
<b>Total current liabilities</b>		<u>381,000</u>	<u>376,884</u>
<b>Total liabilities</b>		<u>451,226</u>	<u>449,905</u>
<b>Total equity and liabilities</b>		<u>1,541,937</u>	<u>1,424,262</u>
<b>Net current assets</b>		<u>307,384</u>	<u>257,684</u>
<b>Total assets less current liabilities</b>		<u>1,160,937</u>	<u>1,047,378</u>

The notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

## Interim Condensed Consolidated Statement of Comprehensive Income

		<b>(Unaudited)</b>	
		<b>Six months ended 30 June</b>	
			(Restated)
			Note 3(c)
		<b>2011</b>	2010
	Note	<b>HK\$'000</b>	HK\$'000
Revenue	6	<b>706,776</b>	458,654
Cost of sales	18	<b>(522,372)</b>	(333,723)
<b>Gross profit</b>		<b>184,404</b>	124,931
Distribution costs	18	<b>(73,368)</b>	(44,553)
Administrative expenses	18	<b>(35,281)</b>	(31,831)
Other income		<b>2,347</b>	2,227
<b>Operating profit</b>		<b>78,102</b>	50,774
Finance income		<b>143</b>	354
Finance cost		<b>(1,047)</b>	(264)
Share of profit of an associated company		<b>58</b>	124
Fair value gain on investment properties	9	<b>6,000</b>	6,000
<b>Profit before income tax</b>		<b>83,256</b>	56,988
Income tax expenses	19	<b>(18,580)</b>	(12,492)
<b>Profit for the period</b>		<b>64,676</b>	44,496
<b>Other comprehensive income</b>			
Currency translation differences		<b>10,762</b>	2,133
<b>Total comprehensive income for the period</b>		<b>75,438</b>	46,629
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		<b>66,944</b>	48,051
Non-controlling interests		<b>(2,268)</b>	(3,555)
		<b>64,676</b>	44,496
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		<b>77,768</b>	50,216
Non-controlling interests		<b>(2,330)</b>	(3,587)
		<b>75,438</b>	46,629
<b>Earnings per share attributable to equity holders of the Company (HK cents)</b>			
– Basic	20	<b>10.5</b>	8.0
– Diluted	20	<b>10.2</b>	7.9
<b>Proposed interim dividends (HK cents)</b>	21	<b>1.5</b>	3.5

The notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

## Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company (Unaudited)								Non-controlling interests	Total
	Share capital	Share premium	Merger reserve	Share-based compensation reserve	Statutory reserve fund	Exchange reserve	Retained earnings	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated) Note 3(c)	HK\$'000 (Restated) Note 3(c)	HK\$'000	HK\$'000 (Restated) Note 3(c)
<b>Balance at 1 January 2010</b>	6,000	408,242	61,510	2,857	9,593	12,241	293,248	793,691	2,044	795,735
<b>Total comprehensive income/(loss) for the period ended 30 June 2010, as previously reported</b>	-	-	-	-	-	2,165	47,061	49,226	(3,587)	45,639
Effect of early adoption of amendments to HKAS 12 (Note 3(c))	-	-	-	-	-	-	990	990	-	990
<b>Total comprehensive income/(loss) for the period ended 30 June 2010, as restated</b>	-	-	-	-	-	2,165	48,051	50,216	(3,587)	46,629
<b>Transactions with equity holders:</b>										
Capital injection from a non-controlling interest	-	-	-	-	-	-	-	-	200	200
Share-based compensation	-	-	-	3,240	-	-	-	3,240	-	3,240
Dividends relating to 2009 paid in 2010	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
<b>Total transactions with equity holders</b>	-	-	-	3,240	-	-	(30,000)	(26,760)	200	(26,560)
<b>Balance at 30 June 2010</b>	<u>6,000</u>	<u>408,242</u>	<u>61,510</u>	<u>6,097</u>	<u>9,593</u>	<u>14,406</u>	<u>311,299</u>	<u>817,147</u>	<u>(1,343)</u>	<u>815,804</u>
<b>Representing:</b>										
Share capital and reserves										796,147
Proposed interim dividends (Note 21)										21,000
										817,147
Non-controlling interests										(1,343)
<b>Balance at 30 June 2010</b>										<u>815,804</u>

The notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

## Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company (Unaudited)									Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Share-based compensation reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000		
Balance at 1 January 2011	6,371	495,591	61,510	11,493	11,887	31,605	5,300	354,782	978,539	(4,182)	974,357
Total comprehensive income/(loss) for the period ended 30 June 2011	-	-	-	-	-	10,824	-	66,944	77,768	(2,330)	75,438
<b>Transactions with equity holders:</b>											
Ordinary share issuance (Note 14)	300	62,530	-	-	-	-	-	-	62,830	-	62,830
Exercise of share options	11	1,193	-	(461)	-	-	-	461	1,204	-	1,204
Share-based compensation	-	-	-	5,553	-	-	-	-	5,553	-	5,553
Dividends relating to 2010 paid in 2011	-	-	-	-	-	-	-	(28,671)	(28,671)	-	(28,671)
<b>Total transactions with equity holders</b>	<b>311</b>	<b>63,723</b>	<b>-</b>	<b>5,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28,210)</b>	<b>40,916</b>	<b>-</b>	<b>40,916</b>
Balance at 30 June 2011	6,682	559,314	61,510	16,585	11,887	42,429	5,300	393,516	1,097,223	(6,512)	1,090,711
<b>Representing:</b>											
Share capital and reserves											1,087,200
Proposed interim dividends (Note 21)											10,023
											1,097,223
Non-controlling interests											(6,512)
<b>Balance at 30 June 2011</b>											<b>1,090,711</b>

The notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

## Interim Condensed Consolidated Statement of Cash Flows

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Net cash (used in)/generated from operating activities	<b>(16,985)</b>	42,553
Net cash used in investing activities	<b>(48,557)</b>	(57,251)
Net cash generated from/(used in) financing activities	<u><b>53,091</b></u>	<u>(30,935)</u>
Net decrease in cash and cash equivalents	<b>(12,451)</b>	(45,633)
Cash and cash equivalents at the beginning of the period	<b>158,846</b>	455,015
Exchange differences on cash and cash equivalents	<u><b>1,042</b></u>	<u>323</u>
Cash and cash equivalents at the end of the period	<u><b>147,437</b></u>	<u>409,705</u>

The notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

## 1 GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the board of directors (the "Board") on 30 August 2011.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in the annual report for the year ended 31 December 2010.

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

### 3 ACCOUNTING POLICIES (continued)

#### (a) Amendment to existing standards adopted by the Group

Amendment to HKAS 34 “Interim financial reporting” is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

#### (b) Standards, amendments and interpretations to existing standards effective in 2011 but do not have material financial impacts to the Group

HKAS 24 (revised)	Related party disclosures
HKAS 32 (amendment)	Classification of rights issues
HK(IFRIC) – Int 14 (amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments

#### *Improvements to HKFRS published by HKICPA in May 2010:*

HKAS 1 (amendment)	Presentation of financial statements
HKAS 27 (amendment)	Consolidated and separate financial statements
HKFRS 1 (amendment)	First time adoption of HKFRS
HKFRS 3 (revised)	Business combinations
HKFRS 7 (amendment)	Financial instruments: disclosures
HK(IFRIC) – Int 13 (amendment)	Customer loyalty programmes

### 3 ACCOUNTING POLICIES (continued)

#### (c) Restatement of 30 June 2010 condensed consolidated interim financial information

The Group has early adopted the amendments to HKAS 12, "Deferred tax: recovery of underlying assets" ("HKAS 12 (amendment)") in the second half of 2010. The amendments provide an exception to this measurement principle in respect of investment property measured using the fair value model in accordance with HKAS 40, "Investment property". The purpose of the exception is to reflect the entity's expectation of recovery of the investment property in a practical manner that involves little subjectivity. In particular, there is a rebuttable presumption that investment property measured at fair value is recovered entirely by sale, and therefore, no deferred taxation needed to be recognised from revaluation of the investment properties in Hong Kong.

The HKAS 12 (amendment) was early adopted in the second half of 2010. The comparative figures for the six months ended 30 June 2010 has been restated to reflect the impact of this early adoption. The effect is as follows:

Decrease in deferred tax liabilities as at 30 June 2010 (HK\$'000)	2,903
Decrease in income tax expense for the six months ended 30 June 2010 (HK\$'000)	990
Increase in beginning retained earnings as at 1 January 2010 (HK\$'000)	1,913
Increase in basic earnings per share attributable to equity holders of the Company (HK cents)	0.2
Increase in diluted earnings per share attributable to equity holders of the Company (HK cents)	0.2
	<u>0.2</u>

### 4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

## 5 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010. There have been no changes in the risk management policies since the year ended 31 December 2010.

### (b) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### (c) Fair value estimation

In 2011, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

## 6 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 is principally engaged in the manufacturing and distribution of amenity products. From a geographical perspective, the Board assesses the performance based on the Group's revenue by geographical location in which the customer is located. During the second half of 2010, the Group acquired All Team Group Limited and its subsidiaries ("All Team Group") which are principally engaged in the distribution and retail business of cosmetics products and fashion accessories in the People's Republic of China (the "PRC") with the brand "7 Magic" through franchisees. Subsequent to the acquisition, the Group has two reportable segments: (a) manufacturing and distribution business of amenity products and (b) distribution and retail business of cosmetics and fashion accessories.

The Board assesses the performance of the operating segments based on a measure of profit/(loss) before income tax and share of profit of an associated company.

Turnover for the period represents revenue recognised from the sale of goods and services in the ordinary course of the Group's activities is shown net of value-added tax and discounts.

Depreciation and amortisation charges are apportioned with reference to respective segment revenue.

Sales between segments are carried out at normal commercial terms. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed consolidated interim financial information.



## 6 SEGMENT INFORMATION (continued)

### Geographical (continued)

	Manufacturing and distribution business of amenity products					Distribution and retail business of cosmetics and fashion accessories			Others		Inter- segment elimination	Total
	The PRC	Hong Kong	Australia	Other	Sub-total	The PRC	Hong Kong	Sub-total	HK\$'000	HK\$'000		
				locations (Note iii)								
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>As at 30 June 2011 (Unaudited)</b>												
Total assets	<u>503,938</u>	<u>475,441</u>	<u>1,173</u>	<u>17,974</u>	<u>998,526</u>	<u>453,754</u>	<u>7,125</u>	<u>460,879</u>	<u>271,541</u>	<u>(189,009)</u>	<u>1,541,937</u>	
<b>As at 31 December 2010 (Audited)</b>												
Total assets	<u>470,199</u>	<u>442,498</u>	<u>1,761</u>	<u>20,041</u>	<u>934,499</u>	<u>404,122</u>	<u>7,684</u>	<u>411,806</u>	<u>248,625</u>	<u>(170,668)</u>	<u>1,424,262</u>	

Notes:

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

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

## 7 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments.

	(Unaudited) 30 June 2011 HK\$'000	(Unaudited) 30 June 2010 HK\$'000
Opening net book amount	25,966	12,863
Additions	–	4,808
Amortisation ( <i>Note 18</i> )	(311)	(204)
Exchange differences	440	183
	<u>26,095</u>	<u>17,650</u>
Closing net book amount	<u>26,095</u>	<u>17,650</u>

As at 30 June 2011, certain land use rights of aggregate carrying value approximating to HK\$11,754,000 (2010: HK\$11,695,000) were pledged as securities for a revolving loan and certain banking facilities. For details, please refer to note 16 to the condensed consolidated interim financial information.

## 8 PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) 30 June 2011 HK\$'000	(Unaudited) 30 June 2010 HK\$'000
Opening net book amount	281,276	207,960
Additions	60,198	26,664
Transfer from investment properties	–	1,640
Disposals	(492)	(206)
Depreciation ( <i>Note 18</i> )	(17,220)	(13,869)
Exchange differences	3,885	1,629
	<u>327,647</u>	<u>223,818</u>
Closing net book amount	<u>327,647</u>	<u>223,818</u>

As at 30 June 2011, certain property, plant and equipment with aggregate carrying value of approximately HK\$109,616,000 (2010: HK\$111,728,000) were pledged as securities for a mortgage loan, a revolving loan and certain banking facilities drawn by the Group. For details, please refer to note 16 to the condensed consolidated interim financial information.

## 9 INVESTMENT PROPERTIES

	<b>(Unaudited)</b>	(Unaudited)
	<b>30 June</b>	30 June
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Opening net book amount	<b>104,423</b>	82,640
Transfer to property, plant and equipment	–	(1,640)
Fair value gains on investment properties	<b>6,000</b>	6,000
Exchange differences	<b>161</b>	–
	<u><b>110,584</b></u>	<u>87,000</u>
Closing net book amount	<u><b>110,584</b></u>	<u>87,000</u>

As at 30 June 2011, certain investment properties with an aggregate carrying amount of HK\$101,000,000 (2010: HK\$95,000,000) were pledged as security for the mortgage loan drawn by the Group (Note 16).

## 10 GOODWILL AND INTANGIBLE ASSETS

### (a) Goodwill

	<b>(Unaudited)</b>	(Unaudited)
	<b>30 June</b>	30 June
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Opening net book amount	<b>328,713</b>	–
Exchange differences	<b>5,623</b>	–
	<u><b>334,336</b></u>	<u>–</u>
Closing net book amount	<u><b>334,336</b></u>	<u>–</u>

Goodwill is allocated to the Group's cash-generating units identified. As at 30 June 2011, goodwill of HK\$334,336,000 is allocated to All Team Group (2010: HK\$328,713,000).

## 10 GOODWILL AND INTANGIBLE ASSETS (continued)

### (b) Intangible assets

	(Unaudited)	(Unaudited)
	30 June	30 June
	2011	2010
	HK\$'000	HK\$'000
Opening net book amount	18,214	583
Additions	–	128
Amortisation ( <i>Note 18</i> )	(1,086)	(79)
Exchange differences	265	–
	<u>17,393</u>	<u>632</u>
Closing net book amount	<u>17,393</u>	<u>632</u>

## 11 TRADE AND BILLS RECEIVABLES

	(Unaudited)	(Audited)
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
Trade receivables	290,176	248,328
Bills receivables	15,298	6,309
Receivable from a non-controlling shareholder	82	136
	<u>305,556</u>	<u>254,773</u>
Less: provision for impairment of receivables	(4,636)	(6,889)
Trade and bills receivables, net	<u>300,920</u>	<u>247,884</u>

## 11 TRADE AND BILLS RECEIVABLES (continued)

Ageing analysis of the gross trade and bills receivables as at 30 June 2011 and 31 December 2010 is as follows:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Current	<b>168,185</b>	126,721
1 – 30 days	<b>70,283</b>	51,929
31 – 60 days	<b>21,089</b>	28,013
61 – 90 days	<b>10,525</b>	15,380
91– 180 days	<b>23,341</b>	22,607
Over 180 days	<b>12,133</b>	10,123
	<b><u>305,556</u></b>	<u>254,773</u>

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

## 12 CASH AND CASH EQUIVALENTS

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Cash at banks and on hand	<b>85,437</b>	87,108
Short-term bank deposits	<b>62,000</b>	71,738
	<b><u>147,437</u></b>	<u>158,846</u>

The Group's cash and bank balances denominated in Renminbi ("RMB") amounted to approximately HK\$43,592,000 (2010: approximately HK\$39,406,000) 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.

## 13 RESTRICTED CASH

As at 30 June 2011, there is a RMB denominated deposit of RMB1,000,000 (approximately HK\$1,204,000) (2010: RMB2,149,000 (approximately HK\$2,544,000)) placed with a commercial bank in the PRC in relation to the construction of a laundry plant in Changshu city, Jiangsu province, the PRC. 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 a local bank as a restricted deposit, which was subsequently released in July 2011.

## 14 SHARE CAPITAL

	Number of shares	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
<b>Balance at 1 January 2010 and 30 June 2010</b>	600,000,000	6,000	408,242	414,242
<b>Balance at 1 January 2011</b>	637,130,293	6,371	495,591	501,962
Ordinary share issuance	30,000,000	300	62,530	62,830
Exercise of share options	1,075,000	11	1,193	1,204
<b>Balance at 30 June 2011</b>	<u>668,205,293</u>	<u>6,682</u>	<u>559,314</u>	<u>565,996</u>

On 9 June 2011, the Company allotted 30,000,000 ordinary shares, at a price of HK\$2.124 per share. Net proceeds for the ordinary share issuance approximated HK\$62,830,000 after deduction of transaction costs.

## 15 SHARE-BASED PAYMENT

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 are disclosed in the prospectus of the Company dated 22 October 2007.

During the year ended 31 December 2009, a total of 32,000,000 share options were granted to certain directors and employees. 50% of the options are vested after two years from date of grant and the remaining of 50% of the options are only vested after four years from the date of grant. The options will lapse on 23 June 2019. 600,000 and 1,158,000 share options were forfeited during the year ended 31 December 2010 and 2009, respectively. No share options were cancelled or lapsed during the six months ended 30 June 2011.

On 7 May 2010, a total of 3,700,000 share options were granted to certain employees of the Group. 50% of the options are vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. The options will lapse on 7 May 2020. No share options were cancelled or lapsed during the year ended 31 December 2010 and 100,000 share options were forfeited during the six months ended 30 June 2011.

On 14 September 2010, a total of 1,758,000 share options were granted to a director and an employee. 50% of the options are vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. The options will lapse on 14 September 2020. No share options were cancelled or lapsed during the year ended 31 December 2010 and the six months ended 30 June 2011.

## 15 SHARE-BASED PAYMENT (continued)

On 10 February 2011, a total of 1,100,000 share options were granted to certain employees. 50% of the options are vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. The options will lapse on 10 February 2021. No share options were cancelled or lapsed during the six months ended 30 June 2011.

The fair values of the share options granted are determined using the binominal model, significant inputs as follows:

	Options granted on			
	10 February 2011	14 September 2010	7 May 2010	23 June 2009
Exercise price	<b>HK\$2.83 per share</b>	HK\$2.80 per share	HK\$3.72 per share	HK\$1.12 per share
Fair value of the options	<b>HK\$1.2674 to HK\$1.2699 per option</b>	HK\$1.3124 to HK\$1.3137 per option	HK\$1.5449 to HK\$1.6187 per option	HK\$0.4085 to HK\$0.4801 per option
Closing price of the share at the date of grant	<b>HK\$2.73 per share</b>	HK\$2.70 per share	HK\$3.72 per share	HK\$1.11 per share
Risk-free rate	<b>3.05%</b>	2.017%	2.67%	2.87%
Volatility	<b>58%</b>	64%	66%	64%
Expected dividend yield rate	<b>4.86%</b>	4.94%	5.41%	6.51%

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

Employee share option scheme: options exercised during the six months period ended 30 June 2011 resulted in 1,075,000 shares being issued, with exercise proceeds of HK\$1,204,000. The related weighted average exercise price at the time of exercise was HK\$1.12 per share.

During the six months ended 30 June 2011, share-based payment of approximately HK\$5,553,000 (2010: HK\$3,240,000) was recognised in the interim condensed consolidated statement of comprehensive income.

## 16 BORROWINGS

	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
<b>Non-current:</b>		
Long-term bank borrowings	48,332	51,497
<b>Current:</b>		
Short-term bank borrowings	31,920	11,719
Current portion of long-term bank borrowings	6,261	6,207
	<u>86,513</u>	<u>69,423</u>

Movements in borrowings are analysed as follows:

	HK\$'000
<b>For the six months ended 30 June 2011 (Unaudited)</b>	
At 1 January 2011	69,423
Proceeds from borrowings	20,000
Repayments of borrowings	(3,111)
Exchange differences	201
	<u>86,513</u>
At 30 June 2011	
<b>For the six months ended 30 June 2010 (Unaudited)</b>	
At 1 January 2010	63,884
Repayments of borrowings	(3,095)
	<u>60,789</u>
At 30 June 2010	

In November 2009, the Group has 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 consolidated financial statements of the Group, with net carrying values of HK\$62,123,000 and HK\$101,000,000, respectively, as at 30 June 2011 (2010: HK\$63,128,000 and HK\$95,000,000, respectively).

As part of the acquisition of All Team Group, there was a RMB denominated revolving loan acquired for working capital, which bears interest at the three months lending rate of The People's Bank of China times 1.15. A property and related land use rights were pledged against the revolving loan and were included in land use rights and property, plant and equipment in the consolidated financial statements of the Group with net carrying values of HK\$9,564,000 and HK\$22,829,000, respectively, as at 30 June 2011 (2010: HK\$9,514,000 and HK\$23,325,000).

## 16 BORROWINGS (continued)

Another subsidiary of the Group had entered into the banking facilities which were secured by land use rights and property, plant and equipment with net carrying values of approximately HK\$2,190,000 (2010: HK\$2,181,000) and HK\$24,664,000 (2010: HK\$25,275,000), respectively.

Interest expense on borrowings for the six months ended 30 June 2011 is approximately HK\$703,000 (for the six months ended 30 June 2010: approximately HK\$264,000).

The Group has the following undrawn borrowing facilities:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Floating rate:		
– expiring within one year	<u><b>102,940</b></u>	<u>41,431</u>

## 17 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Current	<b>84,763</b>	85,061
1 – 30 days	<b>35,204</b>	46,310
31 – 60 days	<b>3,742</b>	9,693
61 – 90 days	<b>1,820</b>	3,864
Over 90 days	<u><b>2,494</b></u>	<u>4,712</u>
	<u><b>128,023</b></u>	<u>149,640</u>

## 18 EXPENSES BY NATURE

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

	(Unaudited)	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Changes in inventories	395,986	249,488
Auditor's remuneration	1,000	650
Amortisation of land use rights	311	204
Depreciation of property, plant and equipment	17,220	13,869
Amortisation of intangible assets	1,086	79
Operating lease rental in respect of buildings	7,708	6,048
Provision/(write-back of provision) for obsolete inventories (Write-back of provision)/provision for impairment of	378	(1,605)
trade and bills receivables	(2,253)	1,345
Employee benefit expenses	117,920	66,455
Transportation expenses	23,485	18,713
Exchange gains, net	(1,548)	(341)
Advertising costs	10,340	1,713
	10,340	1,713

## 19 INCOME TAX EXPENSES

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

	(Unaudited)	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
		(Restated)
		Note 3(c)
Current income tax:		
– Hong Kong profits tax	4,652	5,347
– PRC enterprise income tax	13,490	4,643
– Singapore income tax	187	291
	18,329	10,281
Deferred income tax	251	2,211
	18,580	12,492

## 19 INCOME TAX EXPENSES (continued)

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the period.

The new Corporate Income Tax Law in the PRC became effective since 1 January 2008 with standard income tax rate of 25%. The tax rate applicable to a subsidiary in Shenzhen is 24% from 1 January 2011 onwards (2010: 22%) for the period ended 30 June 2011.

The applicable corporate income tax rate of Luoding Quality Amenities Company Limited, a subsidiary of the Group, is 25%. Luoding Quality Amenities Company Limited is eligible for corporate tax exemption for two years in 2008 and 2009, followed by a 50% reduction in corporate income tax rate in the following three years from 2010 to 2012. Luoding Quality Amenities Company Limited did not have assessable profit for the six months ended 30 June 2011 and 2010.

Overseas tax is calculated based on the estimated taxable income and the income tax rates prevailing in their respective countries of operation.

## 20 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share attributable to equity holders of the Company is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
		(Restated)
		<i>Note 3(c)</i>
<b>Earnings</b>		
Profit attributable to equity holders of the Company (HK\$'000)	<u>66,944</u>	<u>48,051</u>
<b>Weighted average number of ordinary shares in issue (thousands)</b>	<u>640,838</u>	<u>600,000</u>
Basic earnings per share attributable to equity holders of the Company (HK cents)	<u>10.5</u>	<u>8.0</u>

## 20 EARNINGS PER SHARE (continued)

### (b) Diluted

Diluted earnings per share attributable to equity holders of the Company is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options as dilutive potential shares. A calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010 (Restated) <i>Note 3(c)</i>
<b>Earnings</b>		
Profit attributable to equity holders of the Company (HK\$'000)	<b>66,944</b>	48,051
<b>Weighted average number of ordinary shares in issue (thousands)</b>	<b>640,838</b>	600,000
Adjustments for:		
– Share options (thousands)	<u>17,246</u>	<u>10,557</u>
<b>Weighted average number of ordinary shares for diluted earnings per share (thousands)</b>	<u><b>658,084</b></u>	<u>610,557</u>
Diluted earnings per share attributable to equity holders of the Company (HK cents)	<u><b>10.2</b></u>	<u>7.9</u>

## 21 DIVIDENDS

The Board has resolved to pay an interim dividend of HK1.5 cents per share, amounting to a total dividend of approximately HK\$10,023,000, in respect of the six months ended 30 June 2011 (for the six months ended 30 June 2010: HK3.5 cents per share).

On 12 May 2011, a final dividend of HK4.5 cents per share for the year ended 31 December 2010, amounting to a total dividend of approximately HK\$28,671,000 was approved by the Company's shareholders.

## 22 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

The ultimate controlling parties of the Group are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang and Ms. CHAN Yim Ching.

### (a) Significant related party transactions

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

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

## 22 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

		(Unaudited)	
		Six months ended 30 June	
		2011	2010
		HK\$'000	HK\$'000
(i)	Sales of goods		
	– to Quality Amenities Supply (M) Sdn. Bhd.	<u>1,192</u>	<u>916</u>
(ii)	Rental charged		
	– by Ming Fai Plastic Industrial Company	512	491
	– by Mr. LIU Zigang	<u>79</u>	<u>75</u>
(iii)	Purchase of assets and services rendered from		
	– Consultancy service from Advance Management Consultants Limited	45	60
	– Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd.	<u>540</u>	<u>341</u>

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

The Group leased certain properties from Ming Fai Plastic Industrial Company as one of its production bases in the PRC. The transaction is carried out in the ordinary course of business and conducted at prices mutually agreed between the relevant parties.

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

The Group received indemnities from certain shareholders of the Group to cover the potential exposure arising from under payment of tax and related penalties and surcharge of All Team Group prior to its acquisition.

## 22 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (b) Key management compensation

	(Unaudited)	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	2,341	2,072
Contributions to pension plans	51	34
Share-based payments	1,926	1,683
	<u>4,318</u>	<u>3,789</u>

## 23 CAPITAL COMMITMENTS, OPERATING LEASE COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2011, the capital commitments of the Group was HK\$15,800,000 (2010: HK\$36,429,000).

At 30 June 2011, the operating lease commitments of the Group was HK\$12,734,000 (2010: HK\$23,598,000).

At 30 June 2011 and 31 December 2010, the Group had no material contingent liabilities.

## 24 EVENT AFTER BALANCE SHEET DATE

On 15 August 2011, the Group entered into certain sale and purchase agreements with certain directors and senior management of All Team Group ("Receiving Parties") pursuant to which the Group agreed to sell a total of 14% of the issued share capital of All Team Group at a total consideration of RMB35,000,000 (approximately HK\$42,959,000).