明輝國際控股有限公司*
Ming Fai International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3828)

Interim Report 2012

* For identification only

Contents

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Director:
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

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

COMPANY SECRETARY

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

20th Floor, Laws Commercial Plaza,
788 Cheung Sha Wan Road,
Kowloon,
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

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 2012 are as follows:

FINANCIAL REVIEW

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

	Six months ended 30 June		
	2012	2011	Change
	HK$ million	HK$ million	in %
Revenue	**769.0**	706.8	8.8%
Gross profit	**149.5**	184.4	(18.9%)
Profit attributable to equity holders of the Company	**45.6**	66.9	(31.8%)
Net asset value as at 30 June 2012 and 31 December 2011	**1,124.1**	1,106.3	1.6%
Basic earnings per share attributable to equity holders of the Company (HK cents)	**6.8**	10.5	(35.2%)
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**6.8**	10.2	(33.3%)
Dividend per share (HK cents)	**1.0**	1.5	

Total consolidated revenue for the six months ended 30 June 2012 was HK$769.0 million, an increase of HK$62.2 million or 8.8%, 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$45.6 million for the six months ended 30 June 2012, a decrease of 31.8%, compared with HK$66.9 million in the last corresponding period.

Basic earnings per share attributable to equity holders of the Company for the six months ended 30 June 2012 was HK6.8 cents (for the six months ended 30 June 2011: HK10.5 cents).

The overall gross profit margin for the period decreased to 19.4% for the six months ended 30 June 2012 from 26.1% for the six months ended 30 June 2011, which was mainly due to increasing operating costs in the PRC.

The consolidated net asset value increased to HK$1,124.1 million as at 30 June 2012 from HK$1,106.3 million as at 31 December 2011.

The Board has resolved to pay an interim dividend of HK1.0 cent per share for the six months ended 30 June 2012 (for the six months ended 30 June 2011: HK1.5 cents per share).

The Group's profit for the six months ended 30 June 2012 included the following items:

– A loss of HK$9.0 million (for the six months ended 30 June 2011: loss of HK$6.3 million) in respect of its operation of laundry plant in Jiangsu Province, the PRC (100% owned by the Group) which had commenced operation in March 2011;

– Share-based compensation of HK$4.5 million (for the six months ended 30 June 2011: HK$5.6 million);

– Fair value gain on contingent consideration in relation to the acquisition of All Team Group Limited and its subsidiaries ("All Team Group") of HK$15.0 million (for the six months ended 30 June 2011: Nil);

– Compensation income on termination of land acquisition in Luoding, the PRC of HK$10.8 million (for the six months ended 30 June 2011: Nil).

BUSINESS REVIEW

After suffering a major setback during 2011, the global economy is gradually recovering, but downside risks continue to exist. Improved economic activity in the United States during the second half of 2011 and market stimulating policies in the European countries in response to the economic crisis have reduced the threat of a sharp global economic slowdown. Accordingly, a weak recovery will likely resume in the major advanced economies, and economic activities are expected to remain relatively solid in most emerging and developing economies. The Group's total consolidated revenue in the first half of 2012 increased to HK$769.0 million, which was 8.8% higher than the first half of 2011.

The performance of the core business (the manufacturing and distribution of amenity products) in the first half of 2012 showed steady growth. However, the Group faced increasing cost pressure in the PRC which was pervasive in the entire PRC manufacturing sector. Together with our new investment in the laundry services business and a lower than expected results generated from our retail business in the PRC through our "7 Magic" network during the six months ended 30 June 2012, the Group's performance was deeply affected during the period. Profit attributable to equity holders of the Company of HK$45.6 million for the six months ended 30 June 2012 dropped by 31.8% when compared with the first half of 2011.

Core Operations

Manufacturing and distribution business of amenity products – Sustainable Growth

International tourism continued to show sustained growth despite challenging economic conditions. According to the UNWTO World Tourism Barometer, international tourist arrivals on a worldwide basis grew by 5% in the first four months of 2012, despite economic uncertainties in some of the major outbound markets. The Group had made dedicated efforts to develop its core business in both North America and the Greater China. These regions provided sustainable revenue growth for the Group in line with the positive growth of international tourism. The Group enjoyed stable demand in these two regions. During the period, however, the Group suffered from increasing cost pressure in the PRC, including rising raw material and labour costs, which had negatively impacted the Group's performance. Despite the impact above, the Group had managed to maintain a competitive pricing strategy to sustain its market share. The Group will strive to maintain its leading position in the hotel amenities industry by providing a wide range of high quality hotel amenities to customers together with its well-established and highly diversified worldwide distribution networks. The core business had generated revenue of HK$660.5 million representing 85.9% of total consolidated revenue of the Group for the first half of 2012.

New Business Development

China retail market – 7 Magic

In the first half of 2012, the Chinese economy continued to be in the midst of a gradual slowdown due to the combined impact of a weaker global economic environment and tighter domestic government policies. The operating results of retail business in the PRC through the "7 Magic" brand in the first half of 2012 were lower than those recorded in the last corresponding period. During the period under review, the "7 Magic" retail business generated revenue of HK$97.9 million representing 12.7% of the Group's total consolidated revenue. For the six months ended 30 June 2012, the number of new franchise stores opened was 164 and the total number of franchise stores reached 1,340 as at 30 June 2012. Sales performance was not satisfactory as both revenue per store and the number of additional stores were lower than our expectations. Management believes the weak PRC domestic consumption will continue to hit our retail business. In such environment, profit margin is inevitably facing pressure as selling prices have to be lowered in order to maintain competitiveness in the market.

Retail Brand – everyBody Labo

One of the Group's coveted business directions and strategies is building and developing our own brand. In this regard, "everyBody Labo" is our first own-branded personal body care retail name and has been our main focus. "everyBody Labo" has begun taking off on brand awareness through the placement of its products on the shelves of "Mannings" in Hong Kong and via directly opened counters in "Harvey Nichols Hong Kong". In the beginning of 2012, the brand had further expanded its presence into Citysuper outlets and temporary counters at the Langham Place shopping mall in Hong Kong. "everyBody Labo" is still in its early stage of development, and had first recorded a profit of HK$55,000 for the period under review (for the six months ended 30 June 2011: loss of HK$4.2 million).

Laundry services

The laundry business in Jiangsu Province, the PRC, further expanded market share in the hotel network in the region. It provides laundry services to hotel customers around the area. The Group believes that commercial laundry services are a key element of our total solution providing to hotels. It further enhances the Group's presence in the hotel-related services industry which shall boost the Group's profitability in the long run. However, the new business was yet to returning profit as it was still at its investment stage. During the period under review, a loss of HK$9.0 million (for the six months ended 30 June 2011: loss of HK$6.3 million) was recorded.

PROSPECTS

According to World Economic Outlook (WEO), the International Monetary Fund (IMF) projected that global economic growth would drop from around 4% in 2011 to around 3.5% in 2012 because of weaker economic activity during the second half of 2011 and the first half of 2012. The European countries were projected to enter a mild recession in 2012 as a result of the sovereign debt crisis, the effects of bank leveraging on the real economy, and the impact of fiscal consolidation in response to market pressures. Therefore, the Group will continue to hold a "cautiously optimistic" outlook and employ suitable business strategies to confront any challenges head on.

According to the forecast prepared by UNWTO at the beginning of the year, international tourist arrivals were projected to increase by 3% to 4% in 2012. The Group will benefit from it and will continue to provide comprehensive product offerings and one-stop solutions to our customers. The Group also seeks to widen the range of selections from personal healthcare items and in-room accessories, to airline amenity kits, linens and laundry services in order to strengthen our market position in the industry. The Group has also been actively exploring new market opportunities with a view to gaining more market share in different market segments. Other than the core business, the retail businesses, consisting of "7 Magic" and "everyBody Labo", are another focus of the Group.

However, the Group is still facing cost pressures, including wage inflation and upstream input cost increases in 2012. The Group has been adopting suitable strategies alleviate cost pressures, including reducing the outputs of labour-intensive products as well as finding suitable strategic partners. In addition, the Group will continuously concentrate its efforts on the production of high margin, value-added products; improving product standardization in the production process; enhancing its proprietary brand recognition to cooperate with the core business operation; better facilitating the promotion of its proprietary brand, and focusing on the production of ODM products in order to bring higher values and sales margins to the Group. The Group is targeting to achieve consistent and healthy operating margins as well as maximizing shareholders' returns.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group's cash and cash equivalents amounted to HK$187.7 million (31 December 2011: HK$191.5 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 office premises in Central district. This facility bears interest at one month Hong Kong lnter-bank Offered Rate ("HIBOR") plus 0.75% per annum or 1.75% below Hong Kong dollars 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 2012, the outstanding borrowing of this facility amounted to HK$48.3 million (31 December 2011: HK$51.5 million). Details of the borrowings are set out in note 15 to the condensed consolidated interim financial information.

The gearing ratio as at 30 June 2012, calculated on the basis of borrowings over total equity attributable to the equity holders of the Company, was 4.3% as compared to 4.7% as at 31 December 2011.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). The Group currently does not deploy 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 2012, a subsidiary of the Company pledged assets with aggregate carrying value of HK$161.1 million (31 December 2011: HK$162.1 million) to secure drawn bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2012, the capital commitments of the Group were HK$2.8 million (31 December 2011: HK$2.7 million). At the balance sheet date, the Group had no material contingent liabilities (31 December 2011: Nil).

EMPLOYEES

As at 30 June 2012, 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").

Particulars of movements in the share options during six months ended 30 June 2012 are as follows:

				Number of share options				
Grantee	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period	Outstanding as at 30 June 2012
Directors								
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	9-9-2011	9-9-2012 to 8-9-2021	1.58	300,000[3]	–	–	–	300,000
	9-9-2011	9-9-2013 to 8-9-2021	1.58	300,000[3]	–	–	–	300,000
Mr. NG Bo Kwong	23-6-2009	23-6-2013 to 22-6-2019	1.12	300,000	–	–	–	300,000
Mr. SUN Kai Lit Cliff	23-6-2009	23-6-2013 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
Employees								
In aggregate	23-6-2009	23-6-2011 to 22-6-2019	1.12	3,964,000[1]	–	–	(388,000)	3,576,000
	23-6-2009	23-6-2013 to 22-6-2019	1.12	5,621,000[1]	–	–	(387,000)	5,234,000
	9-9-2011	9-9-2012 to 8-9-2021	1.58	8,207,500	–	–	(594,000)	7,613,500
	9-9-2011	9-9-2013 to 8-9-2021	1.58	8,207,500	–	–	(594,000)	7,613,500
Total				45,000,000	–	–	(1,963,000)	43,037,000

Notes:

1. Included in employees was 194,000 share options granted to Mr. LEE King Keung, being spouse of Ms. CHAN Yim Ching who is an executive Director of the Company.

2. During the period, no share options were granted or exercised under the Share Option Scheme.

3. Mr. LEUNG Ping Shing resigned as an executive Director of the Company on 30 March 2012.

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

As at 30 June 2012, the Directors had the following interests in the shares and underlying shares of the Company and its associated corporations which were recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code (the "Model Code"):

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	25.38%
	Personal *(Note 2 & 8)*	10,714,000	1.65%
Mr. CHING Chi Keung	Corporate *(Note 3)*	32,499,600	4.99%
	Personal *(Note 8)*	4,000,000	0.61%
Ms. CHAN Yim Ching	Corporate *(Note 3)*	32,499,600	4.99%
	Personal *(Note 8)*	4,000,000	0.61%
	Family *(Note 5)*	388,000	0.06%
Mr. LIU Zigang	Corporate *(Note 4)*	20,057,200	3.08%
	Personal *(Note 8)*	4,000,000	0.61%
Mr. LEE King Hay	Personal *(Note 8)*	5,690,000	0.87%
Mr. NG Bo Kwong	Personal *(Note 6 & 8)*	600,000	0.09%
Mr. HUNG Kam Hung Allan	Personal *(Note 8)*	600,000	0.09%
Mr. SUN Kai Lit Cliff	Personal *(Note 7 & 8)*	600,000	0.09%
Mr. MA Chun Fung Horace	Personal *(Note 8)*	600,000	0.09%

Notes:

1. These shares are owned by Prosper Well International Limited ("Prosper Well"), which is wholly-owned by Mr. CHING Chi Fai.
2. 10,114,000 shares were owned by Mr. CHING Chi Fai.
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.
5. Mr. LEE King Keung held 194,000 shares and held a share option to subscribe 194,000 shares. Ms. CHAN Yim Ching, being Mr LEE's spouse, was deemed to be interested in the 194,000 shares and the option held by Mr. LEE by virtue of Part XV of the SFO.
6. Mr. NG Bo Kwong held 300,000 shares.
7. Mr. SUN Kai Lit Cliff held 300,000 shares.
8. Share options granted to the above Directors under the Share Option Scheme as at 30 June 2012 are set out the section headed "Share Option Scheme" above.

Save as disclosed above, as at 30 June 2012, 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 2012, 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	Number of shares	Approximate percentage of shareholding of the Company
Prosper Well International Limited	Beneficial owner	165,166,600 *(Note 1)*	25.38%
Ms. LO Kit Ling	Family interest	175,880,600 *(Note 1)*	27.02%
Ms. PO Fung Kiu	Family interest	36,499,600 *(Note 2)*	5.61%
Mr. LEE King Keung	Personal and Family Interest	36,887,600 *(Note 3)*	5.67%
Atlantis Capital Holdings Limited	Interest of controlled corporation	55,000,000 *(Note 4)*	8.45%
Ms. LIU Yang	Interest of controlled corporation	55,000,000 *(Note 4)*	8.45%

Notes:

1. 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 10,114,000 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 175,880,600 shares in which Mr. CHING Chi Fai had interests by virtue of Part XV of the SFO.

2. 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.

3. Mr. LEE King Keung held 194,000 shares and held a share option to subscribe 194,000 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.

4. Atlantis Capital Holdings 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

Save as disclosed in note 13 to the condensed consolidated interim financial information, during the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

CORPORATE GOVERNANCE CODE (FORMERLY CODE ON CORPORATE GOVERNANCE PRACTICES)

The Group has complied with all the code provisions set out in the Code of Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the "Code") during the period from 1 April 2012 to 30 June 2012, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), 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 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 of the Company (the "Audit Committee") comprises three independent non-executive Directors and one non-executive Director with written terms of reference in accordance with the requirements of the Listing Rules and reports to the Board. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2012.

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 2012.

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

On 23 July 2012, the head office and principal place of business of the Company in Hong Kong was changed to 20th Floor, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong. Subsequently, the premises owned by the Company which was used as the head office and principal place of business in Hong Kong will be leased out to yield rental income for the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 20 September 2012 to Wednesday, 26 September 2012 (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 19 September 2012.

Interim Condensed Consolidated Balance Sheet

	Note	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
ASSETS			
Non-current assets			
Goodwill	*10*	**339,154**	342,666
Land use rights	*7*	**25,834**	26,423
Property, plant and equipment	*8*	**324,445**	333,913
Investment properties	*9*	**110,722**	110,823
Intangible assets	*10*	**15,423**	16,683
Long-term prepayments		**31,629**	17,245
Investment in an associated company		**636**	590
Deferred income tax assets		**8,264**	8,253
Total non-current assets		**856,107**	856,596
Current assets			
Inventories		**172,672**	203,690
Trade and bills receivables	*11*	**313,818**	336,411
Amount due from an associated company		**1,021**	673
Prepaid tax		**–**	45
Deposits, prepayments and other receivables		**82,477**	80,672
Cash and cash equivalents	*12*	**187,682**	191,480
Total current assets		**757,670**	812,971
Total assets		**1,613,777**	1,669,567
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*13*	**6,508**	6,694
Share premium	*13*	**545,774**	560,626
Other reserves		**572,668**	533,381
Proposed interim/final dividend	*21*	**6,508**	13,388
		1,131,458	1,114,089
Non-controlling interests		**(7,319)**	(7,812)
Total equity		**1,124,139**	1,106,277

The notes on pages 18 to 38 are an integral part of this condensed consolidated interim financial information.

	Note	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*15*	**42,048**	45,190
Deferred income tax liabilities		**10,267**	10,717
Total non-current liabilities		**52,315**	55,907
Current liabilities			
Current portion of long-term bank borrowings	*15*	**6,301**	6,283
Trade payables	*16*	**175,255**	225,468
Accruals and other payables		**209,767**	226,537
Current income tax liabilities		**40,067**	41,912
Loans from non-controlling interests		**5,933**	5,410
Dividends payable		**–**	1,773
Total current liabilities		**437,323**	507,383
Total liabilities		**489,638**	563,290
Total equity and liabilities		**1,613,777**	1,669,567
Net current assets		**320,347**	305,588
Total assets less current liabilities		**1,176,454**	1,162,184

The notes on pages 18 to 38 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	(Unaudited) Six months ended 30 June 2012 HK$'000	2011 HK$'000
Revenue	6	**768,970**	706,776
Cost of sales	17	**(619,451)**	(522,372)
Gross profit		**149,519**	184,404
Distribution costs	17	**(72,805)**	(73,368)
Administrative expenses	17	**(49,677)**	(35,281)
Other income	18	**29,616**	2,347
Operating profit		**56,653**	78,102
Finance income		**283**	143
Finance cost		**(993)**	(1,047)
Share of profit of an associated company		**47**	58
Fair value gain on investment properties	9	**–**	6,000
Profit before income tax		**55,990**	83,256
Income tax expense	19	**(10,050)**	(18,580)
Profit for the period		**45,940**	64,676
Other comprehensive income			
Currency translation differences		**(6,471)**	10,762
Total comprehensive income for the period		**39,469**	75,438
Profit/(loss) attributable to:			
Equity holders of the Company		**45,615**	66,944
Non-controlling interests		**325**	(2,268)
		45,940	64,676
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**39,150**	77,768
Non-controlling interests		**319**	(2,330)
		39,469	75,438
Earnings per share attributable to equity holders of the Company (HK cents)			
– Basic	20	**6.8**	10.5
– Diluted	20	**6.8**	10.2
Proposed interim dividends per share (HK cents)	21	**1.0**	1.5

The notes on pages 18 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)										
	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 reserves HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	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
Transactions with equity holders:											
Ordinary share issuance *(Note 13)*	300	62,530	–	–	–	–	–	–	62,830	–	62,830
Exercise of share options *(Note 14)*	11	1,193	–	(461)	–	–	–	461	1,204	–	1,204
Share-based compensation *(Note 14)*	–	–	–	5,553	–	–	–	–	5,553	–	5,553
Dividends relating to 2010 paid in 2011	–	–	–	–	–	–	–	(28,671)	(28,671)	–	(28,671)
Total transactions with equity holders	311	63,723	–	5,092	–	–	–	(28,210)	40,916	–	40,916
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

Representing:	
Share capital and reserves	1,087,200
Proposed interim dividends	10,023
	1,097,223
Non-controlling interests	(6,512)
Balance at 30 June 2011	1,090,711

The notes on pages 18 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)										
	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 reserves HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2012	6,694	560,626	61,510	22,406	16,525	57,031	5,233	384,064	1,114,089	(7,812)	1,106,277
Total comprehensive income/(loss) for the period ended 30 June 2012	–	–	–	–	–	(6,465)	–	45,615	39,150	319	39,469
Transactions with equity holders:											
Share-based compensation *(Note 14)*	–	–	–	4,510	–	–	–	–	4,510	–	4,510
Cancellation of ordinary shares *(Note 13)*	(186)	(14,852)	–	–	–	–	–	–	(15,038)	–	(15,038)
Dividends relating to 2011 paid in 2012	–	–	–	–	–	–	–	(13,017)	(13,017)	–	(13,017)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	174	174
Forfeiture of dividends *(Note 13)*	–	–	–	–	–	–	–	1,764	1,764	–	1,764
Total transactions with equity holders	(186)	(14,852)	–	4,510	–	–	–	(11,253)	(21,781)	174	(21,607)
Balance at 30 June 2012	6,508	545,774	61,510	26,916	16,525	50,566	5,233	418,426	1,131,458	(7,319)	1,124,139
Representing:											
Share capital and reserves											1,124,950
Proposed interim dividends *(Note 21)*											6,508
											1,131,458
Non-controlling interest											(7,319)
Balance at 30 June 2012											1,124,139

The notes on pages 18 to 38 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

	(Unaudited) Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Net cash generated from /(used in) operating activities	**10,957**	(16,985)
Net cash generated from /(used in) investing activities	**860**	(48,557)
Net cash (used in)/generated from financing activities	**(15,469)**	53,091
Net decrease in cash and cash equivalents	**(3,652)**	(12,451)
Cash and cash equivalents at the beginning of the period	**191,480**	158,846
Exchange differences on cash and cash equivalents	**(146)**	1,042
Cash and cash equivalents at the end of the period	**187,682**	147,437

The notes on pages 18 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 sales of amenity products and accessories and the distribution and retail business of cosmetics and fashion accessories in the People's Republic of China (the "PRC") with the brand "7 Magic" through franchisees.

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 309 GT, Ugland 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 (the "Stock Exchange").

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 had been approved for issue by the Board of Directors (the "Board") on 30 August 2012.

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 2012 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 2011, 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 2011, as described in the annual report for the year ended 31 December 2011.

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) There are no new and amended standards to existing HKFRS that are effective for the Group's accounting year commencing 1 January 2012 that have a material impact on the Group.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

HKAS 19 (Amendment) 'Employee benefits' eliminate the corridor approach and calculate finance costs on a net funding basis. The Group is yet to assess the amendments to HKAS 19's impact.

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 ESTIMATES

The preparation of interim financial information 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 this 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 2011.

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 2011.

These have been no changes in the financial risk management of the Group since year ended 31 December 2011.

(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

For the six months ended 30 June 2012, 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. The Group is also engaged in the distribution and retail business of cosmetics and fashion accessories in the PRC with the brand "7 Magic" through franchisees. Altogether 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, share of profit from an associated company, compensation income and fair value gain on contingent consideration in relation to the acquisition of All Team Group Limited and its subsidiaries ("All Team Group").

Information provided to the Board is measured in a manner consistent with that of the condensed consolidated interim financial information.

6 SEGMENT INFORMATION (Continued)

Sales between segments are carried out at normal commercial term. Depreciation and amortisation charges are apportioned with reference to respective segment revenue. Assets of the Group are allocated by reference to the principal markets in which the Group operates.

Geographical

	Manufacturing and distribution business of amenity products								Distribution and retail business of cosmetics and fashion accessories			Others	
	North America HK$'000	Europe HK$'000	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other Asia Pacific countries *(Note (i))* HK$'000	Others *(Note (ii))* HK$'000	Sub-total HK$'000	The PRC HK$'000	Hong Kong HK$'000	Sub-total HK$'000	HK$'000	Total HK$'000
Six months ended 30 June 2012 (Unaudited)													
Segment revenue	231,783	100,267	173,964	67,713	16,849	74,328	4,371	669,275	97,915	3,993	101,908	7,031	778,214
Inter-segment revenue	–	–	(7,430)	(1,356)	–	–	–	(8,786)	–	(15)	(15)	(443)	(9,244)
Revenue from external customers	231,783	100,267	166,534	66,357	16,849	74,328	4,371	660,489	97,915	3,978	101,893	6,588	768,970
Segment profit/(loss) before income tax	12,837	4,050	2,459	2,126	67	4,389	69	25,997	14,611	55	14,666	(10,518)	30,145
Share of profit of an associated company													47
Compensation income *(Note 18)*													10,760
Fair value gain on contingent consideration in relation to the acquisition of All Team Group *(Note 18)*													15,038
Income tax expense													(10,050)
Profit for the period													45,940

6 SEGMENT INFORMATION (Continued)

Geographical (Continued)

	Manufacturing and distribution business of amenity products								Distribution and retail business of cosmetics and fashion accessories			Others	
	North America HK$'000	Europe HK$'000	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other Asia Pacific countries *(Note (i))* HK$'000	Others *(Note (ii))* HK$'000	Sub-total HK$'000	The PRC HK$'000	Hong Kong HK$'000	Sub-total HK$'000	HK$'000	Total HK$'000
Six months ended 30 June 2011 (Unaudited)													
Segment revenue	195,166	92,392	158,460	42,388	14,778	69,827	8,322	581,333	126,529	2,963	129,492	4,628	715,453
Inter-segment revenue	–	–	(7,610)	(860)	–	–	–	(8,470)	–	–	–	(207)	(8,677)
Revenue from external customers	195,166	92,392	150,850	41,528	14,778	69,827	8,322	572,863	126,529	2,963	129,492	4,421	706,776
Segment profit/(loss) before income tax	22,488	8,906	12,900	5,378	464	6,225	364	56,725	34,440	(4,156)	30,284	(3,811)	83,198
Share of profit of an associated company													58
Income tax expense													(18,580)
Profit for the period													64,676

	Manufacturing and distribution business of amenity products					**Distribution and retail business of cosmetics and fashion accessories**			**Others**		
	The PRC HK$'000	**Hong Kong** HK$'000	**Australia** HK$'000	**Other locations** *(Note (iii))* HK$'000	**Sub-total** HK$'000	**The PRC** HK$'000	**Hong Kong** HK$'000	**Sub-total** HK$'000	HK$'000	**Inter-segment elimination** HK$'000	**Total** HK$'000
As at 30 June 2012 (Unaudited)											
Total assets	**570,666**	**454,975**	**928**	**19,140**	**1,045,709**	**484,409**	**6,895**	**491,304**	**306,650**	**(229,886)**	**1,613,777**
As at 31 December 2011 (Audited)											
Total assets	621,276	455,396	960	20,223	1,097,855	489,969	4,857	494,826	289,424	(212,538)	1,669,567

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.

7 LAND USE RIGHTS

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

	(Unaudited) HK$'000
Opening net book amount at 1 January 2012	26,423
Amortisation *(Note 17)*	(320)
Exchange differences	(269)
Closing net book amount at 30 June 2012	25,834

As at 30 June 2012, no land use rights (31 December 2011: aggregate carrying values of approximately HK$2,216,000) was pledged as securities for banking facility.

8 PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) HK$'000
Opening net book amount at 1 January 2012	333,913
Additions	14,033
Disposals	(687)
Depreciation *(Note 17)*	(20,197)
Exchange differences	(2,617)
Closing net book amount at 30 June 2012	324,445

As at 30 June 2012, property, plant and equipment with an aggregate carrying value of HK$60,112,000 (31 December 2011: HK$85,238,000) were pledged as security for a mortgage loan *(Note 15)*.

9 INVESTMENT PROPERTIES

	(Unaudited) HK$'000
Opening net book amount at 1 January 2012	**110,823**
Fair value gains on investment properties	**–**
Exchange differences	**(101)**
Closing net book amount at 30 June 2012	**110,722**

As at 30 June 2012, certain investment properties with an aggregate carrying amount of HK$101,000,000 (31 December 2011: HK$101,000,000) were pledged as security for a mortgage loan drawn by the Group *(Note 15)*. As at 30 June 2012, the Directors of the Company considered that the carrying amount of the Group's investment properties which are carried at revalued amounts, do not differ significantly from their fair values at the balance sheet date.

10 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	(Unaudited) HK$'000
Opening net book amount at 1 January 2012	**342,666**
Exchange differences	**(3,512)**
Closing net book amount at 30 June 2012	**339,154**

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified. As at 30 June 2012, goodwill of HK$339,154,000 is allocated to All Team Group (31 December 2011: HK$342,666,000).

10 GOODWILL AND INTANGIBLE ASSETS (Continued)

(b) Intangible assets

	(Unaudited) HK$'000
Opening net book amount at 1 January 2012	16,683
Amortisation *(Note 17)*	(1,110)
Exchange differences	(150)
Closing net book amount at 30 June 2012	15,423

11 TRADE AND BILLS RECEIVABLES

	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
Trade receivables	312,574	336,884
Bills receivables	8,886	4,526
Receivable from a non-controlling shareholder	–	583
	321,460	341,993
Less: provision for impairment of receivables	(7,642)	(5,582)
Trade and bills receivables, net	313,818	336,411

11 TRADE AND BILLS RECEIVABLES (Continued)

Ageing analysis of the gross trade and bills receivables as at 30 June 2012 and 31 December 2011 is as follows:

	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
Current	**188,358**	197,839
1-30 days	**54,996**	63,927
31-60 days	**23,351**	33,518
61-90 days	**9,939**	15,432
91-180 days	**22,964**	17,640
Over 180 days	**21,852**	13,637
	321,460	341,993

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

12 CASH AND CASH EQUIVALENTS

	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
Cash at banks and on hand	**167,577**	151,396
Short-term bank deposits	**20,105**	40,084
	187,682	191,480

The Group's cash and bank balances denominated in Renminbi ("RMB") amounted to approximately HK$64,537,000 (31 December 2011: approximately HK$79,279,000) 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 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital	Share premium	Total
		HK$'000	HK$'000	HK$'000
At 1 January 2011	637,130,293	6,371	495,591	501,962
Ordinary share issuance	30,000,000	300	62,530	62,830
Proceeds from exercise of share options	1,075,000	11	1,193	1,204
At 30 June 2011	668,205,293	6,682	559,314	565,996
At 1 January 2012	**669,387,293**	**6,694**	**560,626**	**567,320**
Cancellation of ordinary shares	**(18,565,146)**	**(186)**	**(14,852)**	**(15,038)**
At 30 June 2012	**650,822,147**	**6,508**	**545,774**	**552,282**

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.

Pursuant to the sale and purchase agreement in relation to the acquisition of All Team Group dated 18 May 2010, the Group has a right to recover ordinary shares of the Company previously issued to the original vendors of All Team Group, should the net profits after taxation of All Team Group for the year ended 31 December 2011 fall below RMB50,000,000 (equivalent to approximately HK$57,400,000).

Since the results of All Team Group for the year ended 31 December 2011 did not meet the threshold above, the Group recovered and cancelled 18,565,146 ordinary shares previously issued to the vendors. A fair value gain on this contingent consideration of approximately HK$15,038,000 was recognised during the six months ended 30 June 2012. The fair value gain was calculated with reference to the closing market price of the Company's share as at 30 April 2012, the date of share cancellation. For the same reason, dividends payable to these ordinary shares relating to the years ended 31 December 2010 and 2011 of approximately HK$1,764,000 were also forfeited during the current period.

14 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 members 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.

14 SHARE-BASED PAYMENT (Continued)

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. 775,000 share options were forfeited during the six months ended 30 June 2012. No share options were cancelled or lapsed during the six months ended 30 June 2012.

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. All share options were cancelled during the year ended 31 December 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. All share options were cancelled during the year ended 31 December 2011.

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. All share options were cancelled during the year ended 31 December 2011.

On 9 September 2011, a total of 17,790,000 share options were granted to a director and 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 9 September 2021. 1,188,000 share options were forfeited during the six months ended 30 June 2012. No share options were cancelled or lapsed during the six months ended 30 June 2012.

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

			Options granted on		
	9 September 2011	10 February 2011*	14 September 2010*	7 May 2010*	23 June 2009
Exercise price	HK$1.58 per share	HK$2.83 per share	HK$2.80 per share	HK$3.72 per share	HK$1.12 per share
Fair value of the options	HK$0.5207 to HK$0.5979 per option	HK$1.2674 to HK$1.2699 per option	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 market price of the share at the date of grant	HK$1.54 per share	HK$2.73 per share	HK$2.70 per share	HK$3.72 per share	HK$1.11 per share
Risk free rate	1.573%	3.05%	2.017%	2.67%	2.87%
Expected volatility	56%	58%	64%	66%	64%
Expected dividend yield rate	5.19%	4.86%	4.94%	5.41%	6.51%

* These share options were cancelled during the year ended 31 December 2011

14 SHARE-BASED PAYMENT (Continued)

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 daily price change.

No options were exercised during the six months ended 30 June 2012. During the six months ended 30 June 2011, 1,075,000 shares options were exercised and being issued at 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 2012, share-based payment of HK$4,510,000 (for the six months ended 30 June 2011: HK$5,553,000) was recognised in the interim condensed consolidated statement of comprehensive income.

15 BORROWINGS

	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
Non-current	**42,048**	45,190
Current	**6,301**	6,283
	48,349	51,473

Movements in borrowings are analysed as follows:

	HK$'000
For the six months ended 30 June 2012 (Unaudited)	
At 1 January 2012	**51,473**
Repayments of borrowings	**(3,124)**
At 30 June 2012	**48,349**
For the six months ended 30 June 2011 (Unaudited)	
At 1 January 2011	69,423
Proceeds from borrowings	20,000
Repayments of borrowings	(3,110)
Exchange differences	200
At 30 June 2011	86,513

15 BORROWINGS (Continued)

In November 2009, the Group has obtained a HK$ denominated mortgage loan, which bears interest at the lower of one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% and HK$ Prime Rate less 1.75%, for acquiring certain properties in Hong Kong. These properties and related land use right were pledged against the mortgage loan and included in property, plant and equipment and investment properties in the interim condensed consolidated balance sheet of the Group, with net carrying values of HK$60,112,000 and HK$101,000,000, respectively, as at 30 June 2012 (31 December 2011: HK$61,117,000 and HK$101,000,000, respectively).

Interest expense on borrowings for the six months ended 30 June 2012 is approximately HK$268,000 (for the six months ended 30 June 2011: approximately HK$703,000).

The Group has the following undrawn borrowing facilities:

	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
Floating rate:		
– expiring within one year	**100,800**	143,990

16 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
Current	**125,732**	149,771
1-30 days	**36,683**	57,405
31-60 days	**6,615**	11,150
61-90 days	**2,799**	2,707
Over 90 days	**3,426**	4,435
	175,255	225,468

17 EXPENSES BY NATURE

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

	(Unaudited) Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Changes in inventories	**462,881**	395,986
Auditor's remuneration	**1,000**	1,000
Amortisation of land use rights	**320**	311
Depreciation of property, plant and equipment	**20,197**	17,220
Amortisation of intangible assets	**1,110**	1,086
Operating lease rental in respect of buildings	**6,001**	7,708
Provision for obsolete inventories	**1,481**	378
Provision for/(write-back of provision for) impairment of trade and bills receivables	**2,060**	(2,253)
Employee benefit expenses	**145,328**	117,920
Transportation expenses	**22,908**	23,485
Exchange losses/(gains), net	**2,301**	(1,548)
Advertising costs	**11,106**	10,340

On 15 August 2011, the Group entered into sale and purchase agreements with certain directors and senior management ("Receiving Parties") of All Team Group, pursuant to which the Group agreed to sell a total of 14% of the issued share capital of All Team Group Limited ("All Team") at a total consideration of RMB35,000,000 (equivalent to HK$43,000,000) to the Receiving Parties. There is a buyback mechanism associated with the sale, whereby the Receiving Parties are obligated to sell the shares back to the Group at pre-determined transfer price upon the occurrence of certain events. These events include the cessation of the Receiving Parties as a shareholder or an employee of All Team Group. This transaction is accounted as an employment benefit using the net profit attributable to the Receiving Parties, adjusted at each year end to reflect the attributed profit to date. On 31 December 2011, certain directors and senior management, who held 8.5% of the issued share capital of All Team, resigned and sold their shares back to the Group. Staff cost of HK$624,000 (for the six months ended 30 June 2011: Nil, for the year ended 31 December 2011: HK$265,000), representing 5.5% of the net profit of All Team Group, was recognised in the interim condensed consolidated statement of comprehensive income.

18 OTHER INCOME

	(Unaudited) Six months ended 30 June 2012 HK$'000	2011 HK$'000
Fair value gain on contingent consideration in relation to the acquisition of All Team Group *(Note 13)*	15,038	–
Compensation income *(Note (a))*	10,760	–
Income from sales of scrap materials	877	832
Rental income	1,867	1,515
Others	1,074	–
	29,616	2,347

Note (a):

During the current period, compensation income of HK$10,760,000 was received from Shuangdong Town Government upon mutual agreement in relation to the termination of the purchase a piece of land in Luoding, the PRC.

19 INCOME TAX EXPENSE

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

	(Unaudited) Six months ended 30 June 2012 HK$'000	2011 HK$'000
Current income tax:		
– Hong Kong profits tax	6,389	4,652
– PRC enterprise income tax	3,787	13,490
– Overseas income tax	315	187
	10,491	18,329
Deferred income tax	(441)	251
	10,050	18,580

Hong Kong profits tax is calculated at 16.5% (for the six months ended 30 June 2011: 16.5%) on the estimated assessable profits for the period.

19 INCOME TAX EXPENSES (Continued)

The new Corporate Income Tax Law in the PRC became effective since 1 January 2008 with standard income tax rate of 25%. Except for Luoding Quality Amenities Company Limited, a subsidiary of the Group, the income tax rate applicable to subsidiaries in the PRC for the six months ended 30 June 2012 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 next three years from 2010 to 2012. Luoding Quality Amenities Company Limited did not have assessable profit for the six months ended 30 June 2012 and 2011.

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.

	(Unaudited) Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**45,615**	66,944
Weighted average number of ordinary shares in issue (thousands)	**663,063**	640,838
Basic earnings per share attributable to equity holders of the Company (HK cents)	**6.8**	10.5

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.

Diluted earnings per share for the six months ended 30 June 2012 is the same as the basic earnings per share as the potential conversion to ordinary shares in relation to the share options issued would have an anti-dilutive effect to the basic earnings per share.

	(Unaudited) Six months ended 30 June 2011
Earnings	
Profit attributable to equity holders of the Company (HK$'000)	66,944
Weighted average number of ordinary shares in issue (thousands)	640,838
Adjustments for:	
– Share options (thousands)	17,246
Weighted average number of ordinary shares for diluted earnings per share (thousands)	658,084
Diluted earnings per share attributable to equity holders of the Company (HK cents)	10.2

21 DIVIDENDS

On 24 May 2012, a final dividend of HK2.0 cents per share for the year ended 31 December 2011, amounting to a total dividend of approximately HK$13,017,000, was approved by the Company's shareholders.

The Board has resolved to pay an interim dividend of HK1.0 cent per share, amounting to a total dividend of approximately HK$6,508,000, in respect of the six months ended 30 June 2012 (for the six months ended 30 June 2011: HK1.5 cents per share).

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:

Name of related party	Principal business activities	Relationship with the Group
Mr. LIU Zigang	Not applicable	A shareholder and an executive 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 (a shareholder and an executive Director of the Company), Mr. YEUNG Tin Loi and Mr. CHING Chi Keung (a shareholder and an executive Director of the Company)
Quality Amenities Supply (M) Sdn. Bhd.	Trading of hotel amenities and accessories	Associated company of the Company
Advance Management Consultants Limited	Provision of consultancy services	Company owned by Mr. NG Bo Kwong who is a shareholder and 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	
		2012	2011
		HK$'000	HK$'000
(i)	Sales of goods		
	– to Quality Amenities Supply (M) Sdn. Bhd.	**1,418**	1,192
(ii)	Rental charged		
	– by Ming Fai Plastic Industrial Company	**448**	512
	– by Mr. LIU Zigang	**81**	79
(iii)	Purchase of assets and services rendered from		
	– Consultancy service from Advance Management Consultants Limited	**68**	45
	– Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd.	**198**	540

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

(ii) 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.

(iii) Purchases of assets and services are transacted at normal commercial terms that are consistently applied to all customers of the related companies.

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	(Unaudited) Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,298**	2,341
Contributions to pension plans	**54**	51
Share-based payments	**686**	1,926
	3,038	4,318

23 CAPITAL COMMITMENTS, OPERATING LEASE COMMITMENT AND CONTINGENT LIABILITIES

At 30 June 2012, the capital commitment of the Group was HK$2,763,000 (31 December 2011: HK$2,658,000).

At 30 June 2012, the operating lease commitment of the Group was HK$34,486,000 (31 December 2011: HK$12,705,000).

At 30 June 2012 and 31 December 2011, the Group had no material contingent liabilities.