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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The board of directors (the "Board") of Ming Fai International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**811,336**	876,044
Cost of sales	*3*	**(576,768)**	(643,528)
Gross profit		**234,568**	232,516
Distribution costs	*3*	**(73,135)**	(67,855)
Administrative expenses	*3*	**(56,258)**	(51,447)
Other income		**1,480**	1,068
Operating profit		**106,655**	114,282
Finance income		**1,848**	12,062
Finance costs		**(505)**	(4,950)
Share of profit of an associated company		**118**	123
Fair value gains on investment properties		**11,597**	–
Profit before income tax		**119,713**	121,517
Income tax expenses	*4*	**(25,357)**	(20,673)
Profit for the year		**94,356**	100,844

	Note	For the year ended 31 December **2009** *HK$'000*	2008 *HK$'000*
Other comprehensive income			
Currency translation differences		**315**	4,298
Total comprehensive income for the year		**94,671**	105,142
Profit/(loss) attributable to:			
Equity holders of the Company		**96,069**	100,870
Minority interest		**(1,713)**	(26)
		94,356	100,844
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**96,387**	105,168
Minority interest		**(1,716)**	(26)
		94,671	105,142
Earnings per share attributable to equity holders of the Company (Expressed in HK$)			
– Basic	*9*	**0.16**	0.17
– Diluted	*9*	**0.16**	0.17
Dividends			
Interim dividend paid	*10*	**18,000**	–
Proposed final dividend	*10*	**30,000**	50,400
		48,000	50,400

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2009	2008
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**68,245**	15,245
Property, plant and equipment		**152,578**	134,850
Investment properties		**82,640**	–
Intangible assets		**583**	523
Investment in an associated company		**396**	278
Deferred income tax assets		**4,040**	6,214
Total non-current assets		**308,482**	157,110
Current assets			
Inventories		**78,520**	84,795
Trade and bills receivables	*5*	**188,189**	181,602
Amount due from an associated company		**1,292**	1,037
Prepaid tax		**1,806**	6,666
Deposits, prepayments and other receivables		**28,653**	31,360
Restricted cash		**–**	65,888
Cash and cash equivalents	*6*	**455,015**	482,704
Total current assets		**753,475**	854,052
Total assets		**1,061,957**	1,011,162
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**6,000**	6,000
Share premium		**408,242**	408,242
Reserves		**347,536**	296,292
Proposed final dividend	*10*	**30,000**	50,400
		791,778	760,934
Minority interest		**2,044**	–
Total equity		**793,822**	760,934

	Note	As at 31 December 2009 HK$'000	2008 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*8*	**57,677**	–
Deferred income tax liabilities		**2,155**	343
Total non-current liabilities		**59,832**	343
Current liabilities			
Current portion of long-term bank borrowings	*8*	**6,207**	–
Short-term bank borrowings	*8*	**–**	63,460
Trade payables	*7*	**89,785**	82,968
Accruals and other payables		**97,960**	95,667
Current income tax liabilities		**13,690**	7,022
Loans from minority shareholders		**661**	495
Derivative financial instruments		**–**	273
Total current liabilities		**208,303**	249,885
Total liabilities		**268,135**	250,228
Total equity and liabilities		**1,061,957**	1,011,162
Net current assets		**545,172**	604,167
Total assets less current liabilities		**853,654**	761,277

NOTES:

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, and certain financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group.

The Group has adopted the following new standards and amended HKFRS as at 1 January 2009:

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The financial information has been prepared under the new requirement. This has resulted in an increase in the number of reportable segments presented. In addition, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

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

HKFRS 2 (amendment)	Share-based payment
HKAS 23 (amendment)	Borrowing costs
HKAS 32 (amendment)	Financial instruments: presentation
HK(IFRIC) 9 (amendment)	Reassessment of embedded derivatives
HKAS 39 (amendment)	Financial instruments: Recognition and measurement
HK(IFRIC) 13	Customer loyalty programmes
HK(IFRIC) 15	Agreements for the construction of real estate
HK(IFRIC) 16	Hedges of a net investment in a foreign operation

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods, but the Group has not early adopted them:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 January 2010
HKAS 7 (Amendment)	Statement of cash flows	1 January 2010
HKAS 17 (Amendment)	Leases	1 January 2010
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 27 (Revised)	Consolidated and separate financial statements	1 January 2010
HKAS 32 (Amendment)	Classification of rights issue	1 February 2010
HKAS 39 (Amendment)	Eligible hedge items	1 July 2009
HKFRS 1 (Revised)	First-time adoption of HKFRS	1 July 2009
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction	1 January 2010
HKFRS 3 (Revised)	Business combination	1 January 2010
HKFRS 9	Financial instruments	1 January 2013
Amendment to HK(IFRIC) 14	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) 17	Distribution of non-cash assets to owners	1 July 2009
HK(IFRIC) 19	Extinguishing financial liabilities with equity instruments	1 July 2010

		Effective for annual periods beginning on or after
Improvements to HKFRS published by HKICPA in May 2008:		
HKFRS 5	Non-current assets held for sale and discontinued operations (and consequence amendment to HKFRS 1 "First-time adoption")	1 July 2009
Improvements to HKFRS published by HKICPA in October 2008:		
HKAS 1 (Amendment)	Current/non-current classification of convertible instruments	1 January 2010
HKAS 7 (Amendment)	Classification of expenditures on unrecognised assets	1 January 2010
HKAS 17 (Amendment)	Classification of leases of land and buildings	1 January 2010
HKAS 36 (Amendment)	Unit of accounting for goodwill impairment test	1 January 2010
HKAS 38 (Amendment)	Additional consequential amendments arising from HKFRS 3 (revised) and measuring the fair value of an intangible asset acquired in business combination	1 July 2009
HKAS 39 (Amendment)	Treating loan prepayment penalties as closely related derivatives	1 January 2010
HKAS 39 (Amendment)	Cash flow hedge accounting	1 January 2010
HKAS 39 (Amendment)	Scope exemption for business combination contracts	1 January 2010
HKFRS 2 (Amendment)	Scope of HKFRS 2 and HKFRS 3 (revised)	1 July 2009
HKFRS 5 (Amendment)	Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1 January 2010
HKFRS 8 (Amendment)	Disclosure of information about segment assets	1 January 2010
HK(IFRIC) and HKFRS 3 (Amendment)	Reassessment of embedded derivatives	1 July 2009
HK(IFRIC) 16 (Amendment)	Hedges of a net investment in a foreign operation	1 July 2009

The Group has already commenced an assessment of the impact of these new HKFRS but is not yet in a position to state whether these new HKFRS would have a significant impact on its results of operations and financial position.

2 SEGMENT INFORMATION

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

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

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

The segment information is presented on consolidated basis, therefore, no inter-segment transaction for the year ended 31 December 2009 and 2008 is presented.

In allocating the depreciation and amortisation charges, the Board apportions the charges with reference to respective segment revenue, as this results in a fair representation of performance.

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

Geographical

	North America *HK$'000*	Europe *HK$'000*	The PRC *HK$'000*	Hong Kong *HK$'000*	Australia *HK$'000*	Other Asia Pacific countries *(Note i)* *HK$'000*	Others *(Note ii)* *HK$'000*	Total *HK$'000*
Year ended 31 December 2009								
Segment revenue	**314,478**	**127,665**	**169,821**	**81,025**	**23,160**	**91,531**	**3,656**	**811,336**
Earnings before interest, taxes, fair value gains on investment properties, depreciation and amortisation	**59,993**	**15,173**	**28,204**	**11,731**	**306**	**16,099**	**547**	**132,053**
Fair value gains on investment properties	**–**	**–**	**–**	**11,597**	**–**	**–**	**–**	**11,597**
Depreciation	**(9,563)**	**(3,882)**	**(5,164)**	**(2,464)**	**(704)**	**(2,783)**	**(111)**	**(24,671)**
Amortisation	**(282)**	**(114)**	**(152)**	**(73)**	**(21)**	**(82)**	**(3)**	**(727)**
Finance income	**–**	**–**	**1,028**	**818**	**–**	**2**	**–**	**1,848**
Finance costs	**–**	**–**	**(462)**	**(43)**	**–**	**–**	**–**	**(505)**
Segment profit/(loss) before income tax	**50,148**	**11,177**	**23,454**	**21,566**	**(419)**	**13,236**	**433**	**119,595**
Share of profit from an associated company								**118**
Income tax expenses								**(25,357)**
Profit for the year								**94,356**

	North America HK$'000	Europe HK$'000	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other Asia Pacific countries *(Note i)* HK$'000	Others *(Note ii)* HK$'000	Total HK$'000
Year ended 31 December 2008								
Segment revenue	342,964	159,360	151,584	87,142	45,266	81,671	8,057	876,044
Earnings before interest, taxes, fair value gains on investment properties, depreciation and amortisation	65,072	28,013	18,568	13,844	4,672	5,535	526	136,230
Fair value gains on investment properties	–	–	–	–	–	–	–	–
Depreciation	(8,419)	(3,912)	(3,721)	(2,139)	(1,111)	(2,005)	(197)	(21,504)
Amortisation	(173)	(81)	(77)	(44)	(23)	(42)	(4)	(444)
Finance income	–	–	3,056	9,002	–	4	–	12,062
Finance costs	–	–	(4,950)	–	–	–	–	(4,950)
Segment profit before income tax	56,480	24,020	12,876	20,663	3,538	3,492	325	121,394
Share of profit from an associated company								123
Income tax expenses								(20,673)
Profit for the year								100,844

	The PRC *HK$'000*	**Hong Kong** *HK$'000*	**Australia** *HK$'000*	**Other locations** *(Note iii)* *HK$'000*	**Total** *HK$'000*
As at 31 December 2009					
Total assets	**320,427**	**723,610**	**2,697**	**15,233**	**1,061,957**
Include:					
Investment in an associated company	**–**	**396**	**–**	**–**	**396**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**30,846**	**136,176**	**117**	**15**	**167,154**
Total liabilities	**144,230**	**121,603**	**1,050**	**1,252**	**268,135**
As at 31 December 2008					
Total assets	374,224	623,739	859	12,340	1,011,162
Include:					
Investment in an associated company	–	278	–	–	278
Additions to non-current assets (other than financial instruments and deferred income tax assets)	20,744	3,159	619	376	24,898
Total liabilities	205,718	43,409	508	593	250,228

Notes:

(i) Other Asia Pacific countries mainly include Japan, United Arab Emirates, Thailand, Philippines, Malaysia, Singapore, Fiji and New Zealand.

(ii) Others mainly include South Africa, Egypt, Morocco and Nigeria.

(iii) Other locations mainly include Singapore and British Virgin Islands.

3 EXPENSES BY NATURE

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

	2009	2008
	HK$'000	*HK$'000*
Changes in inventories	**418,907**	487,187
Auditor's remuneration	**1,880**	2,060
Amortisation of leasehold land and land use rights	**610**	340
Depreciation of property, plant and equipment	**24,671**	21,504
Amortisation of intangible assets	**117**	104
Operating lease rental in respect of buildings	**3,607**	2,139
Provision for obsolete inventories	**2,624**	1,350
(Write-back of)/provision for impairment of trade and bills receivables	**(1,612)**	2,009
Employee benefit expenses	**135,937**	127,380
Transportation expenses	**34,033**	31,243
Exchange losses/(gains)	**502**	(1,042)
Advertising costs	**3,312**	3,100
Loss on disposal of property, plant and equipment	**82**	–
Direct operating expenses arising from investment properties that generate rental income	**115**	–
Utilities	**15,681**	14,619

4 INCOME TAX EXPENSES

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

	2009	2008
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**16,754**	12,986
– PRC enterprise income tax	**3,948**	8,293
– Singapore income tax	**663**	–
	21,365	21,279
Deferred income tax	**3,992**	(606)
	25,357	20,673

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates. Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits for the year ended 31 December 2009.

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, established prior to 16 March 2007, is 20% (2008: 18%) for the year ended 31 December 2009. This will be gradually increased to 25% in 2012 over a 5-year transition period.

The applicable corporate income tax rate of Luoding Quality Amenities Company Limited 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 was in a net loss position for the years ended 31 December 2009 and 2008.

Corporate tax in Singapore has been provided at the rate of 17% (2008: 18%) on the estimated assessable profit for the year ended 31 December 2009. The Group did not have any assessable profit in Singapore during the year ended 31 December 2008.

5 TRADE AND BILLS RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**182,912**	180,778
Bills receivables	**9,394**	6,508
Receivable from a minority shareholder	**476**	521
	192,782	187,807
Less: provision for impairment of receivables	**(4,593)**	(6,205)
Trade and bills receivables, net	**188,189**	181,602

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

	2009	2008
	HK$'000	*HK$'000*
Current	**112,592**	99,379
1 – 30 days	**42,860**	43,570
31 – 60 days	**15,400**	18,745
61 – 90 days	**11,463**	9,305
91 – 180 days	**5,438**	9,699
Over 180 days	**5,029**	7,109
	192,782	187,807

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

6 CASH AND CASH EQUIVALENTS

	2009	2008
	HK$'000	*HK$'000*
Cash at banks and on hand	**278,546**	99,361
Bank deposit	**176,469**	383,343
	455,015	482,704

The Group's cash and bank balances denominated in Renminbi ("RMB") 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.

7 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2009	2008
	HK$'000	*HK$'000*
Current	**55,474**	51,372
1 – 30 days	**27,194**	25,035
31 – 60 days	**2,789**	2,828
61 – 90 days	**2,349**	379
Over 90 days	**1,979**	3,354
	89,785	82,968

8 BORROWINGS

	2009	2008
	HK$'000	*HK$'000*
Non-current:		
Long-term bank borrowings	**57,677**	–
Current:		
Short-term bank borrowings	**–**	63,460
Current portion of long-term bank borrowings	**6,207**	–
	63,884	63,460
Representing:		
Secured	**63,884**	63,460

The Group's borrowings are all denominated in Hong Kong dollar ("HK$") and United States dollar ("US$") and repayable as follows:

	2009	2008
	HK$'000	*HK$'000*
Non-current:		
– HK$ *(Note a)*	**57,677**	–
Representing:		
Later than one year and no later than five years	**25,358**	
Over five years	**32,319**	–
	57,677	–
Current:		
– HK$ *(Note a)*	**6,207**	–
– US$ *(Note b)*	**–**	63,460

Note a

In November 2009, the Group has obtained a Hong Kong dollar 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 leasehold land and land use rights, property, plant and equipment and investment properties in the financial statements of the Group, with net carrying values of HK$52,080,000, HK$11,415,000 and HK$82,640,000, respectively, as at 31 December 2009.

Note b

In 2008, the Group entered into arrangements with a bank in the PRC. Under these arrangements, borrowings denominated in US$ with maturities of 12 months were drawn. Simultaneously, RMB equivalent amounts in the forms of fixed term deposits and having the same maturities with the US$ loans, were placed with that bank. These RMB deposits were used to pledge against the loans. The RMB deposits would be converted to US$ at forward exchange rates specified in the arrangements upon maturities for repayment of the US$ loans. The related borrowings were settled during the year ended 31 December 2009.

9 EARNINGS PER SHARE

(a) Basic

Basic earnings per share 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 year.

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**96,069**	100,870
Weighted average number of ordinary shares in issue (thousands)	**600,000**	600,000
Basic earnings per share (HK$ per share)	**0.16**	0.17

(b) Diluted

Diluted earnings per share 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.

	2009	2008
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	**96,069**	100,870
Weighted average number of ordinary shares in issue (thousands)	**600,000**	600,000
Adjustments for:		
– Share options (thousands)	**1,324**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**601,324**	600,000
Diluted earnings per share (HK$ per share)	**0.16**	0.17

10 DIVIDENDS

On 3 September 2009, the Board resolved to pay an interim dividend of HK$0.03 per share, amounting to a total dividend of HK$18,000,000, which was paid on 8 October 2009.

A final dividend in respect of the year ended 31 December 2009 of HK$0.05 (2008: HK$0.084 per share) per share, amounting to a total dividend of HK$30,000,000 (2008: HK$50,400,000), is proposed on 18 March 2010, which is subject to approval at the Annual General Meeting ("AGM") to be held on 13 May 2010. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total consolidated revenue for the year ended 31 December 2009 decreased by 7.4% to HK$811.3 million, compared with the same period last year, reflecting soft demand for amenity products and accessories. Profit attributable to equity holders of the Company was HK$96.1 million for the year ended 31 December 2009, a decrease of 4.8%, compared with HK$100.9 million for the year ended 31 December 2008.

Basic earnings per share was HK16 cents (2008: HK17 cents).

The overall gross profit margin for the year increased by 2.4% to 28.9% from 26.5% for the year ended 31 December 2008 which was achieved through the Group's persistent cost control initiative.

The consolidated net asset value increased to HK$793.8 million as at 31 December 2009 from HK$760.9 million as at 31 December 2008.

The Board has resolved to propose a final dividend of HK5.0 cents per share for the year ended 31 December 2009 making a total annual dividend of HK8.0 cents (2008: HK8.4 cents per share) per share. The proposed dividend is subject to approval at the forthcoming AGM on 13 May 2010.

The Group's profit for the year included the following items:

- Increase in fair value of investment properties in Central district of Hong Kong of HK$9.7 million, comprising a fair value gain of HK$11.6 million and the corresponding deferred income tax charge of HK$1.9 million;
- Accelerated depreciation charges of HK$1.6 million in respect of the old head office in Tuen Mun, Hong Kong on relocating the Company's head office;
- The expensing of fair value of share options granted to the eligible employees (including the directors) of HK$2.9 million;
- A loss of HK$1.5 million was recognised in respect of its operation in towels manufacturing plant in Guangxi Province which is 51% owned by the Group; and
- A loss of HK$2.0 million was recognised in respect of its 51% held two retail shops in Hong Kong.

Set out below are the consolidated financial highlights of the Group for the year ended 31 December 2009:

	2009	2008
	HK$ million	*HK$ million*
Revenue	**811.3**	876.0
Gross profit	**234.6**	232.5
Profit attributable to equity holders of the Company	**96.1**	100.9
Net asset value	**793.8**	760.9
Basic earnings per share	**0.16**	0.17
Diluted earnings per share	**0.16**	0.17

BUSINESS REVIEW

Although improved financial and capital market conditions led to a recovery, the impact of global recession on the business activities was broad and deep. Revenue and profit of the Group declined in this tough period as a result of the weak global economy.

The year 2009 saw continued growth in the Group's operations in China and other Asia Pacific countries (ex-Australia) with revenue contribution accounted for approximately of 21% and 11% (2008: 17% and 9%) respectively. Throughout the crisis, all other major markets in North America, Europe, Hong Kong and Australia remain profitable in terms of earnings before depreciation and amortisation with revenue constrained by lower demand as a result of tougher economic conditions. The increased revenues from emerging markets were a substantial offset to the impact of the lower revenues from developed markets. This signals the Group's commitment to increase its focus in faster-growing markets, which is in line with the market consensus that emerging markets will account for the majority of global growth over the next decade.

To further progress its business and enhance the services and products in meeting the customers needs, the Group acquired various properties in Dalian City at a total consideration of RMB2.3 million (equivalent to approximately HK$2.6 million), increased its presence in Liaoning Province to support the growing needs of its customers in China. Through the construction of a laundry plant in Jiangsu Province and the formation of a 51% owned subsidiary in Guangxi Province for supplying towels and other linens, the Group continues to expand its business and broaden its product range in China.

For airline business, the Group secured new orders through its distributor customers.

The Group continued to integrate and expand its operations in Hong Kong, in line with its positive outlook for Hong Kong economy. In October 2009, the Group acquired office premises in Central district at a total consideration of HK$128.9 million. These office premises are located at the 5th Floor, Low Block, Grand Millennium Plaza, No. 181 Queen's Road Central, Hong Kong (with an aggregate gross floor area of approximately 15,451 square feet) together with two car-parking spaces. In February 2010, the Company moved its head office from Tuen Mun to this Central office occupying approximately 7,227 square feet, reflecting its deep roots in Hong Kong -the gateway to greater China. The remaining office premises are recognised in the Group's balance sheet as investment properties which are fully leased out to third party tenants.

In view of improving economic sentiments in Hong Kong and a rebound in retail sales in the fourth quarter of 2009, the Group contributed HK$10 million to establish a 51% held subsidiary with a beauty consultant who is an expert and specialist in beauty care industry. The aim of this subsidiary is to develop and create a chain of bath and body care concept outlets named "everyBody Labo" with selected bath and body care brands, to serve the growingly sophisticated and stylish clientele in the Asia Pacific region whom are yearning for a better quality and priced bath and body care products. In December 2009, this subsidiary has successfully taken the first step to launch its new personal care products through the opening of two retail shops in Causeway Bay and Mongkok, respectively.

PROSPECTS

Global major markets continued to recover in the early of 2010, even turbulence emerged in the latter part of 2009 due to the Dubai and Greece debt crisis. Although major central banks pledged to keep the loose monetary policy in place, some of them planned to have "exit strategy" to avoid asset price bubble and hyper-inflation. The year 2010 is a crucial year to address the international financial crisis and maintain balanced and rather fast economic development.

Against this backdrop, the Group is very optimistic about the long-term prospect, and its core market outlook for the upcoming years has turned positive, mostly due to continued demand from China and the Asia Pacific region, as well as the US economy which returned to growth in the second half of 2009. China achieved a 8.7% GDP growth last year and the annual growth of China is expected to be around 9% in 2010. The Group believes that the stable growth of China economy coupled with the hosting of the World Expo in Shanghai and the Asian Games in Guangzhou this year will present it with attractive business opportunities. With strong presence in China and the Asia Pacific region, as well as successful business model, the Group is well placed to further increase its market share and earning base from emerging markets and consider acquisitions that add value to its business portfolio. Going forward, the Group expects to see its revenue from China and the Asia Pacific region becoming a much more significant part of its overall operations.

While the Group positions itself at the heart of the Asia Pacific region and reinforced its focus on emerging markets, it will continue to build its presence and scale in all other major markets, both through organic expansion and by building its strategic partnerships.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group's cash and cash equivalents totalled HK$455.0 million (2008: HK$482.7 million).

As at 31 December 2008, the Group had outstanding borrowings drawn in US$ with carrying amount of HK$63.5 million, which were fully repaid by the Group during the year ended 31 December 2009. In November 2009, the Group entered into a mortgage deed with a leading bank in Hong Kong to raise HK$64.4 million for the completion of acquisition of office premises in Central district. This facility bears interest at one month HIBOR plus 0.75% per annum or 1.75% below HK$ Prime Rate, whichever is the lower. The facility is secured by the office premises with maturity date on 27 November 2019. As at 31 December 2009, the outstanding borrowing of this facility amounted to HK$63.9 million.

The gearing ratio at 31 December 2009, calculated on the basis of borrowings over total equity, is 8.0% as compared with 8.3% at 31 December 2008.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to 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 31 December 2009, certain subsidiaries of the Group pledged assets with aggregate carrying value of HK$146.1 million (2008: Nil) to secure drawn bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2009, the capital commitments of the Group were HK$69.0 million (2008: HK$4.1 million). At the balance sheet date, the Group had no material contingent liabilities.

	2009	2008
	HK$'000	*HK$'000*
Contracted but not provided for in the financial statements	**31,582**	4,143
Authorised by Directors but not contracted for	**37,388**	–
	68,970	4,143

The capital commitments mainly relate to the construction of laundry plant at Changshu City Jiangsu Province of the PRC.

EMPLOYEES

As at 31 December 2009, the total number of employees of the Group was approximately 4,300. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrading their skills and knowledge.

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") for year ended 31 December 2009, except for the following deviation:

- code provision A.2.1. of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this Announcement, 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 Group's final results for the year ended 31 December 2009 have been reviewed by the members of the Audit Committee before submission to the Board for approval.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. 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 year ended 31 December 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 29 April 2010 to Tuesday, 4 May 2010 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 28 April 2010.

Subject to the approval by shareholders of the Company of the proposed final dividend at the AGM, the dividend will be paid on or about 27 May 2010 to shareholders whose names appear on the register of the Company as at the close of business on 28 April 2010.

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

Hong Kong, 18 March 2010

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

* *For identification only*