

## Ming Fai International Holdings Limited

### Latest corporate announcement...

#### Corporate announcement update...

**Latest announcement:** On January 3, 2012, the group announced the proposed buyback of 8.5% issued share capital of All Team. All Team is a wholly owned subsidiaries of the Group.

**Background on this:** Ming Fai Holdings and All Team are both wholly-owned subsidiaries of the Group. All Team is principally engaged in the manufacturing and distribution of cosmetics and fashion accessories in the PRC, also known as "7 Magic - 七色花". On August 31, 2010, the Group acquired the entire issued share capital of All Team for a consideration of RMB250m (HK\$284,975,000). On August 15, 2011, Ming Fai Holdings and the All Team entered into the SP Agreement with Mr. Leung, Ms Guo, Ms. Wu and Employee Purchasers, where Ming Fai has agreed to sell a total of 14% of the issued share capital of All Team for a total consideration of RMB35m. Mr. Leung is an Executive Director of the Company, Ms. Guo is Director of subsidiaries of the Company and Ms. Wu is an associate of Ms. Guo.

**A put option:** The SP agreement allows each of Mr. Leung, Ms. Guo, Ms. Wu and the Employee Purchasers on the 30<sup>th</sup> day of June or 31<sup>st</sup> day of December in each to propose transfer all or part of his Shares in All Team with notice. The sale shares shall only be sold to Ming Fai Holdings at the Transfer Price.

**What does it mean:** So now All Team has received the Transfer Notice from each of Ms. Guo, Ms. Wu and Employee shareholder (representing 8.5% of issued share capital of All Team) desiring to transfer all their shares in All Team on December 31, 2011 and All Team has served the same on Ming Fai Holdings. More disclosure will be release upon the completion of the buyback.

**Our view:** Ms. Guo, Ms. Wu and Employee shareholder are involved in the distribution of cosmetics and fashion accessories business. Given that the involving parties are part of running the day-to-day activities implies a downbeat signal. However we maintain our buy recommendation on the basis that Ming Fai has a good stable existing hotel and airlines amenities business and an attractive retail business that's beginning to take shape. The hotel related business accounted for 81.1% of total sales and 60.7% of net profit. We feel that the retail business has a potential of becoming a significant contributor along with Ming Fai's existing expertise. And the counter is trading at an undemanding valuation of 4.5x FY12/11F P/E. Our target price of HK\$1.80 represents 7.5x FY12/12F P/E and 5.9x FY12/13F P/E.

Ticker	3828 HK
Rating	BUY
Price (HK\$)	1.01
Target Price (HK\$)	1.80
12m Price Range (HK\$)	0.73-3.54
Market cap. (US\$m)	86.7
Daily t/o (US\$m)	0.2
Free float (%)	62.4

#### Financial summary

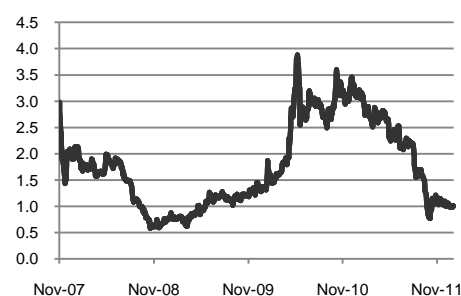
Year to Dec	09A	10A	11F	12F	13F
Turnover (HK\$)	811.3	1,085.9	1,429.4	1,603.0	1,807.2
Net Profit (HK\$)	96.3	109.7	134.4	155.1	180.2
EPS (HK\$)	0.163	0.184	0.214	0.240	0.302
P/E (x)	6.3	5.4	4.5	4.0	3.3
P/B (x)	0.77	0.67	0.65	0.59	0.53
EV/EBITDA (x)	0.8	2.8	2.8	2.1	1.9
Yield (%)	7.8	7.8	9.1	10.6	12.3
ROE (%)	12.4	12.4	13.2	14.0	14.8
ROCE (%)	14.1	14.4	15.4	16.5	17.5
N. Gear. (%)	Cash	Cash	Cash	Cash	Cash

Source: SBI

	11F	12F	
Consensus EPS (HK\$)	0.223	0.263	-

#### Price performance

Year to Dec	1m	3m	12m
Relative to HSI (%)	(3.9)	(17.7)	(61.1)
Actual price changes (%)	(4.7)	(26.3)	(68.1)



Source: Bloomberg

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