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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)

2013 INTERIM RESULTS ANNOUNCEMENT

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 2013 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) Six months ended 30 June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**815,780**	768,970
Cost of sales	*4*	**(613,180)**	(619,451)
Gross profit		**202,600**	149,519
Distribution costs	*4*	**(94,296)**	(72,805)
Administrative expenses	*4*	**(52,932)**	(49,677)
Other income	*5*	**4,844**	29,616
Operating profit		**60,216**	56,653
Finance income		**920**	283
Finance cost		**(450)**	(993)
Share of profit of an associated company		**100**	47
Profit before income tax		**60,786**	55,990
Income tax expense	*6*	**(15,978)**	(10,050)
Profit for the period		**44,808**	45,940

	Note	(Unaudited) Six months ended 30 June 2013 HK$'000	2012 HK$'000
Other comprehensive income/(loss), net of tax			
Item that may be reclassified to profit or loss			
Currency translation differences		**9,744**	(6,471)
Total comprehensive income for the period		**54,552**	39,469
Profit/(loss) for the period attributable to:			
Equity holders of the Company		**45,762**	45,615
Non-controlling interests		**(954)**	325
		44,808	45,940
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the Company		**55,502**	39,150
Non-controlling interests		**(950)**	319
		54,552	39,469
Earnings per share attributable to equity holders of the Company (HK cents)			
Basic	*14*	**6.6**	6.8
Diluted	*14*	**6.5**	6.8
Proposed interim dividend per share (HK cents)	*15*	**1.5**	1.0

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
ASSETS			
Non-current assets			
Goodwill		**350,844**	345,325
Land use rights		**17,848**	17,793
Property, plant and equipment		**228,590**	230,467
Investment properties		**207,057**	206,899
Intangible assets		**17,324**	16,172
Long-term prepayments		**19,611**	20,802
Investment in an associated company		**735**	634
Deferred income tax assets		**4,173**	4,115
Total non-current assets		**846,182**	842,207
Current assets			
Inventories		**186,638**	199,499
Trade and bills receivables	*7*	**388,774**	391,605
Amount due from an associated company	*8*	**2,332**	1,328
Prepaid tax		**26**	26
Deposits, prepayments and other receivables		**76,010**	83,566
Restricted cash	*9*	**38,371**	37,307
Cash and cash equivalents	*10*	**289,998**	245,505
Total current assets		**982,149**	958,836
Total assets		**1,828,331**	1,801,043
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*13*	**6,975**	6,968
Share premium	*13*	**590,836**	590,413
Other reserves		**685,652**	636,303
Proposed interim/final dividend	*15*	**10,463**	17,431
		1,293,926	1,251,115
Non-controlling interests		**(8,660)**	(7,710)
Total equity		**1,285,266**	1,243,405

	Note	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*12*	**35,657**	38,868
Deferred income tax liabilities		**5,713**	5,849
Total non-current liabilities		**41,370**	44,717
Current liabilities			
Current portion of long-term bank borrowings	*12*	**6,383**	6,339
Short-term borrowings	*12*	**30,000**	–
Trade payables	*11*	**197,567**	231,001
Accruals and other payables		**223,163**	234,740
Current income tax liabilities		**38,622**	34,894
Loans from non-controlling interests		**5,933**	5,933
Dividends payable		**27**	14
Total current liabilities		**501,695**	512,921
Total liabilities		**543,065**	557,638
Total equity and liabilities		**1,828,331**	1,801,043
Net current assets		**480,454**	445,915
Total assets less current liabilities		**1,326,636**	1,288,122

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company (Unaudited)					
	Share capital	Share premium	Other reserves	Sub-total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2012	6,694	560,626	546,769	1,114,089	(7,812)	1,106,277
Total comprehensive income for the period ended 30 June 2012	–	–	39,150	39,150	319	39,469
Transactions with equity holders:						
Share-based compensation	–	–	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	–	–	1,764	1,764	–	1,764
Total transactions with equity holders	(186)	(14,852)	(6,743)	(21,781)	174	(21,607)
Balance at 30 June 2012	6,508	545,774	579,176	1,131,458	(7,319)	1,124,139

	Attributable to equity holders of the Company (Unaudited)					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserves** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 January 2013	**6,968**	**590,413**	**653,734**	**1,251,115**	**(7,710)**	**1,243,405**
Total comprehensive income/(loss) for the period ended 30 June 2013	**–**	**–**	**55,502**	**55,502**	**(950)**	**54,552**
Transactions with equity holders:						
Exercise of share options *(Note 13)*	**7**	**423**	**–**	**430**	**–**	**430**
Share-based compensation	**–**	**–**	**4,317**	**4,317**	**–**	**4,317**
Dividends relating to 2012 paid in 2013	**–**	**–**	**(17,438)**	**(17,438)**	**–**	**(17,438)**
Total transactions with equity holders	**7**	**423**	**(13,121)**	**(12,691)**	**–**	**(12,691)**
Balance at 30 June 2013	**6,975**	**590,836**	**696,115**	**1,293,926**	**(8,660)**	**1,285,266**
Representing:						
Share capital, share premium and other reserves						**1,283,463**
Proposed interim dividend *(Note 15)*						**10,463**
						1,293,926
Non-controlling interests						**(8,660)**
Balance at 30 June 2013						**1,285,266**

NOTES:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2013 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"). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

The preparation of the condensed consolidated interim financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2 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 2012, as described in the annual report for the year ended 31 December 2012.

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

(a) **New and amended standards and interpretations adopted by the Group:**

HKFRS 13 'Fair value measurement'. HKFRS 13 measurement and disclosure requirements are applicable for the year ending 31 December 2013. The Group has included the disclosures for financial assets and non-financial assets.

Other amended standards or interpretations that are effective for the first time for this interim period but do not have a material impact to the Group:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 19 (Amendment)	Employee benefits
HKAS 27 (revised 2011)	Separate financial statements
HKAS 28 (revised 2011)	Associates and joint ventures
HKFRS 1 (Amendment)	Government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine

Fourth 2011 annual improvements project

(b) **New and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 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.

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

3 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 People's Republic of China (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 and 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.

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$'000*	*(Note (iv))* *HK$'000*	Total *HK$'000*
Six months ended 30 June 2013 (Unaudited)													
Segment revenue	**234,877**	**94,469**	**200,067**	**86,366**	**15,502**	**103,604**	**5,081**	**739,966**	**68,144**	**1,744**	**69,888**	**7,981**	**817,835**
Inter-segment revenue	**–**	**–**	**(1,798)**	**(221)**	**–**	**–**	**–**	**(2,019)**	**–**	**(36)**	**(36)**	**–**	**(2,055)**
Revenue from external customers	**234,877**	**94,469**	**198,269**	**86,145**	**15,502**	**103,604**	**5,081**	**737,947**	**68,144**	**1,708**	**69,852**	**7,981**	**815,780**
Segment profit/(loss) before income tax	**34,501**	**9,197**	**16,069**	**5,989**	**433**	**11,163**	**582**	**77,934**	**(8,271)**	**(1,624)**	**(9,895)**	**(7,353)**	**60,686**
Share of profit of an associated company													**100**
Income tax expense													**(15,978)**
Profit for the period													**44,808**

	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$'000*	*(Note (iv))* *HK$'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													10,760
Fair value gain on contingent consideration in relation to the acquisition of All Team Group													15,038
Income tax expense													(10,050)
Profit for the period													45,940

	Manufacturing and distribution business of amenity products					Distribution and retail business of cosmetics and fashion accessories			Others		
	The PRC	Hong Kong	Australia	Other locations *(Note (iii))*	Sub-total	The PRC	Hong Kong	Sub-total		Inter-segment elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2013 (Unaudited)											
Total assets	**714,998**	**526,490**	**941**	**26,993**	**1,269,422**	**490,020**	**4,807**	**494,827**	**285,487**	**(221,405)**	**1,828,331**
As at 31 December 2012 (Audited)											
Total assets	739,419	472,357	965	21,118	1,233,859	516,475	6,352	522,827	292,054	(247,697)	1,801,043

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.

(iv) Others mainly include the results from the laundry business in Jiangsu Province, the PRC

4 EXPENSES BY NATURE

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

	(Unaudited) Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Changes in inventories	**439,587**	462,881
Auditor's remuneration	**1,000**	1,000
Amortisation of land use rights	**228**	320
Depreciation of property, plant and equipment	**18,524**	20,197
Amortisation of intangible assets	**1,728**	1,110
Operating lease rental in respect of buildings	**8,168**	6,001
Provision for obsolete inventories	**31**	1,481
Provision for impairment of trade and bills receivables	**2,369**	2,060
Employee benefit expenses	**163,176**	145,328
Transportation expenses	**25,613**	22,908
Exchange (gains)/losses, net	**(1,671)**	2,301
Promotion expenses	**19,848**	11,106

5 OTHER INCOME

	(Unaudited) Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Fair value gain on contingent consideration in relation to the acquisition of All Team Group	**–**	15,038
Compensation income	**–**	10,760
Income from sales of scrap materials	**990**	877
Rental income	**2,372**	1,867
Others	**1,482**	1,074
	4,844	29,616

6 INCOME TAX EXPENSE

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

	(Unaudited) Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**11,225**	6,389
– The PRC enterprise income tax	**4,720**	3,787
– Overseas income tax	**251**	315
	16,196	10,491
Deferred income tax	**(218)**	(441)
	15,978	10,050

Hong Kong profits tax is calculated at 16.5% (for the six months ended 2012: 16.5%) on the estimated assessable profit for the period.

The new Corporate Income Tax Law in the PRC became effective since 1 January 2008 with standard income tax rate of 25%.

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

7 TRADE AND BILLS RECEIVABLES

	(Unaudited) **30 June** **2013** ***HK$'000***	(Audited) 31 December 2012 *HK$'000*
Trade receivables	**393,259**	399,537
Bills receivables	**7,982**	3,630
Receivable from a non-controlling shareholder	**–**	8
	401,241	403,175
Less: provision for impairment of receivables	**(12,467)**	(11,570)
Trade and bills receivables, net	**388,774**	391,605

Ageing analysis of the gross trade and bills receivables as at 30 June 2013 and 31 December 2012 is as follows:

	(Unaudited) **30 June** **2013** ***HK$'000***	(Audited) 31 December 2012 *HK$'000*
Current	**192,329**	236,518
1 – 30 days	**77,430**	70,947
31 – 60 days	**44,484**	36,383
61 – 90 days	**10,752**	20,151
91– 180 days	**47,529**	15,582
Over 180 days	**28,717**	23,594
	401,241	403,175

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

8 AMOUNT DUE FROM AN ASSOCIATED COMPANY

The ageing analysis of amount due from an associated company is as follows:

	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
Current	**353**	1,328
1 – 30 days	**198**	–
31 – 60 days	**969**	–
61 – 90 days	**65**	–
Over 90 days	**747**	–
	2,332	1,328

9 RESTRICTED CASH

	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
Restricted cash, denominated in:		
- Renminbi ("RMB")	**37,904**	37,307
- United States Dollars ("USD")	**467**	–
	38,371	37,307

As at 30 June 2013, the restricted cash of RMB30,000,000 (equivalent to approximately HK$37,904,000) (31 December 2012: approximately HK$37,307,000) served as collateral for an irrevocable letter of guarantee that provides financial assurance that the Group will fulfil its obligation with respect to a litigation as disclosed in note 17.

The amount denominated in USD represents mandatory reserve deposit placed in a bank to secure a letter of credit granted to a subsidiary of the Group.

10 CASH AND CASH EQUIVALENTS

	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
Cash at banks and on hand	**211,744**	160,720
Short-term bank deposits	**78,254**	84,785
	289,998	245,505

The Group's cash and bank balances amounted to approximately HK$154,533,000 (31 December 2012: approximately HK$157,607,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

11 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	(Unaudited) 30 June 2013 *HK$'000*	(Audited) 31 December 2012 *HK$'000*
Current	**117,589**	156,845
1 – 30 days	**62,189**	54,207
31 – 60 days	**11,550**	9,632
61 – 90 days	**1,374**	4,866
Over 90 days	**4,865**	5,451
	197,567	231,001

12 BORROWINGS

	(Unaudited) 30 June 2013 *HK$'000*	(Audited) 31 December 2012 *HK$'000*
Long-term borrowings		
– Non-current portion	**35,657**	38,868
– Current portion	**6,383**	6,339
	42,040	45,207
Short-term borrowings	**30,000**	–
Total	**72,040**	45,207

In November 2009, the Group has obtained a HK$ denominated mortgage loan, which bore 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 investment properties in the interim condensed consolidated balance sheet of the Group, with net carrying values of HK$197,000,000 as at 30 June 2013 (31 December 2012: HK$197,000,000).

During the six months ended 30 June 2013, the Group has obtained a revolving loan of HK$30,000,000 which bore interest at one month HIBOR plus 1.50%. This facility will expire in January 2014.

Interest expense on borrowings for the six months ended 30 June 2013 was approximately HK$450,000 (for the six months ended 30 June 2012: approximately HK$268,000).

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
Balance 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)
Balance at 30 June 2012	650,822,147	6,508	545,774	552,282
Balance at 1 January 2013	**696,807,697**	**6,968**	**590,413**	**597,381**
Exercise of share options	**694,000**	**7**	**423**	**430**
Balance at 30 June 2013	**697,501,697**	**6,975**	**590,836**	**597,811**

14 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	
	2013	2012
Profit attributable to equity holders of the Company *(HK$'000)*	**45,762**	45,615
Weighted average number of ordinary shares in issue *(thousands)*	**697,243**	663,063
Basic earnings per share attributable to equity holders of the Company *(HK cents)*	**6.6**	6.8

(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 2013
Earnings	
Profit attributable to equity holders of the Company *(HK$'000)*	45,762
Weighted average number of ordinary shares in issue *(thousands)*	697,243
Adjustments for:	
– Share options *(thousands)*	12,034
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	709,277
Diluted earnings per share attributable to equity holders of the Company *(HK cents)*	6.5

15 DIVIDENDS

On 23 May 2013, a final dividend of HK2.5 cents per share for the year ended 31 December 2012, amounting to a total dividend of approximately HK$17,438,000, was approved by the Company's shareholders.

The Board has resolved to pay an interim dividend of HK1.5 cents per share, amounting to a total dividend of approximately HK$10,463,000, in respect of the six months ended 30 June 2013 (for the six months ended 30 June 2012: HK1.0 cent per share).

16 CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

As at 30 June 2013, the capital commitments contracted but not provided for in the condensed consolidated interim financial information of the Group were HK$2,065,000 (31 December 2012: HK$4,454,000).

As at 30 June 2013, the operating lease commitments of the Group were HK$35,089,000 (31 December 2012: HK$36,678,000).

17 CONTINGENT LIABILITIES

In 2012, 明輝實業(深圳)有限公司，廣州七色花投資顧問有限公司 and 深圳輝華倉儲服務有限公司, subsidiaries of the Company (collectively, the " Defendants"), are involved in a litigation with a competitor, who is alleging that the Defendants have infringed trademarks and is seeking damages of RMB100,000,000, (approximately HK$126,300,000). The Directors have taken legal advice and are of the opinion that the claim can be successfully defended by the Group. No provision is considered necessary as at 30 June 2013 (31 December 2012: Same).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

	Six months ended 30 June		
	2013	2012	Change in %
	HK$ million	*HK$ million*	
Revenue	**815.8**	769.0	6.1%
Gross profit	**202.6**	149.5	35.5%
Profit attributable to equity holders of the Company	**45.8**	45.6	0.4%
Net asset value as at 30 June 2013 and 31 December 2012	**1,285.3**	1,243.4	3.4%
Basic earnings per share attributable to equity holders of the Company *(HK cents)*	**6.6**	6.8	(2.9%)
Diluted earnings per share attributable to equity holders of the Company *(HK cents)*	**6.5**	6.8	(4.4%)
Dividend per share *(HK cents)*	**1.5**	1.0	50.0%

The Group's total consolidated revenue for the six months ended 30 June 2013 remained stable at HK$815.8 million (for the six months ended 30 June 2012: HK$769.0 million). Profit attributable to equity holders of the Company for period under review slightly increased by 0.4% to HK$45.8 million from HK$45.6 million in the corresponding period in the prior year. The relatively stable performance was mainly attributable to the Group's capability to adapt to the challenging market conditions and to sustain growth in a gradual manner.

Basic earnings per share attributable to equity holders of the Company for the six months ended 30 June 2013 was HK6.6 cents (for the six months ended 30 June 2012: HK6.8 cents).

The overall gross profit margin for the period under review increased to 24.8% from 19.4% for the six months ended 30 June 2013, which was achieved through the Group's persistent effort in cost control amid the escalating manufacturing costs.

The consolidated net asset value increased to HK$1,285.3 million as at 30 June 2013 from HK$1,243.4 million as at 31 December 2012.

The Board has resolved to pay an interim dividend of HK1.5 cents per share for the six months ended 30 June 2013 (for the six months ended 30 June 2012: HK1.0 cent per share).

The Group's profit for the six months ended 30 June 2013 included the following items:

– A loss of HK$8.6 million (for the six months ended 30 June 2012: loss of HK$9.0 million) in respect of its operation of a laundry plant in Jiangsu Province, the PRC (100% owned by the Group);

– A loss of HK$8.5 million (for the six months ended 30 June 2012: profit of HK$13.2 million) in respect of the "7 Magic" retail business in the PRC;

– A loss of HK$1.6 million (for the six months ended 30 June 2012: profit of HK$0.1 million) in respect of its 51% held retail business under a brand "everyBody Labo";

– Share-based compensation of HK$4.3 million (for the six months ended 30 June 2012: HK$4.5 million).

BUSINESS REVIEW

Although the global economy appears to be getting back on its feet, the recovery remains hesitant and uneven. The International Monetary Fund adjusted its world economic growth forecast for 2013 from 3.3% to 3.1%, which indicated a slower-than-expected expansion in emerging economies and a protracted recession in Europe. China's gross domestic product ('GDP') growth slowed to 7.5%, reflecting the adverse effect of weak overseas demand. The Group continues to enhance internal management and revamp its operations to maintain stability of its business. For the first half of 2013, the Group's consolidated total revenue increased slightly to HK$815.8 million (for the six months ended 30 June 2012: HK$769.0 million). It is worth noting that the profit attributable to equity holders of the Company was actually up by 131.0% year-on-year if the fair value gain on cancellation of shares and compensation income reported in the prior period are excluded.

The Group's core business (the manufacturing and distribution of amenity products) showed continuous dynamism and remains as the key driver for the Group's financial performance. However, the retail business "7 Magic" was facing a bumpy road while the laundry business has yet to generate a profit for the Group. For the first half of 2013, profit attributable to equity holders of the Company stood at HK$45.8 million, representing an increase of 0.4% on a comparative basis.

Core Operations

Manufacturing and distribution business of amenity products

Despite the fact that hotel occupancy rates were adversely affected by the protracted economic recovery in Europe and the PRC's policies on clamping down extravagance, there was a remarkable growth in international tourism. According to the latest UNWTO World Tourism Barometer, a total of 298 million international tourists travelled worldwide in the first four months of 2013, showing an increase of 12 million as compared to the same period last year. The prospects for international travelling during the May to August period remain positive, with approximately 435 million tourists worldwide expected to travel abroad. The increasing hotel occupancy rates stimulate the demand for the Group's amenity products across the major markets in which the Group operates, including the Greater China (the PRC and Hong Kong), North America and Europe.

With more and more hotels in the PRC being upgraded, the Group which targets at top-tier hotels continues to explore potential business opportunities in order to expand its customer base. During the period under review, the Group secured new orders which fuelled the revenue growth.

As a result of the above, revenue of our core business reached HK$737.9 million, up by 11.7% as compared to prior year, accounting for 90.5% of the Group's revenue. Despite the negative impacts from the rising labour costs, the Group managed to achieve a significant growth of 200.0% in the segment profit before income tax, totaling HK$77.9 million.

New Business Development

China retail market – 7 Magic

As China's domestic consumption falters along with the slowdown in GDP, the Group's retail business, mainly operated under the "7 Magic" brand, was adversely affected. Data released earlier this year showed that the disposable income growth for urban households slowed to 6.5% in the first half of 2013, down from 9.7% a year ago, and fell below the growth rate of the economy as a whole. Hindered by the deteriorating consumption power of our target customers, the Group's retail business recorded a 30.4% dip in revenue to HK$68.1 million (for the six months ended 30 June 2012: HK$97.9 million). For the period under review, there is no major change in the number of stores registered, standing at 1,373 as at 30 June 2013 (30 June 2012: 1,340). Facing all these difficulties in the operating environment, the Group will place more emphasis on management of stores to achieve a turnaround.

Retail Brand – everyBody Labo

Being the Group's first branded body care products, "everyBody Labo" remained our key focus in the retail business. During the period under review, "everyBody Labo" continued to strive for a larger market share in Hong Kong's health and beauty market, with products available in Mannings, Harvey Nichols Hong Kong and Citysuper outlets. We are fully aware of the great potentials in the PRC market and are eager to achieve business breakthroughs, the Group stepped up its marketing efforts to increase the brand awareness of "everyBody Labo", especially among the PRC visitors. However, as a result of the fierce competition in Hong Kong's health and beauty market, the segment reported a decrease of 57.1% in revenue to HK$1.7 million for the six months ended 30 June 2013 (for the six months ended 30 June 2012: HK$4.0 million).

Laundry services

The Group launched its laundry business in Jiangsu Province, the PRC in March 2011 with an aim to provide total solutions for its hotel customers. The business is believed to enhance the network ties with the Group's hotel customers and strengthen its presence in the hotel-related industry. Notwithstanding, the Group finds it challenging to secure contracts, as some hotels are reluctant to outsource their laundry services. The immature market of commercial laundry services in the PRC, together with the early investment stage, resulted in a segment loss of HK$8.6 million recognised in the first half year of 2013 (for the six months ended 30 June 2012: loss of HK$9.0 million).

PROSPECTS

According to the UN report on World Economic Situation and Prospect, economic growth in the second half of 2013 will continue to be below potential and employment will remain weak. Amid the European debt crisis, the US fiscal cliff and the economic slowdown in large developing countries, new uncertainties have emerged, including possible impacts of unconventional monetary measures in developed economies. In addition, the PRC's economy is shifting to a more balanced growth trajectory and is expected to expand at a subdued pace. Given the current situation, the Group is taking a prudent outlook for the remaining of the financial year.

The fast-developing world tourism has proven itself as a boost for hotel-related industries. The Group has witnessed enormous development potential in the business of manufacturing and distribution of hotel amenities. Furthermore, the Group's strategic alliance with the American Hotel Register Company ("AHR"), known as "Ming Fai-American Hotel Asia Pacific", has enabled the Group to penetrate into a wider range of customers. Leveraging on this synergy, the Group will devote continuous efforts to diversify our premium product portfolio, while implementing cost-reduction initiatives. The Group will also strive to improve the performance of its retail businesses with more proactive management efforts. A new sales counter for "everyBody Labo" was opened in August 2013 at V City, a shopping mall atop Hong Kong's Tuen Mun west rail station, which is only ten minutes away from Shenzhen Bay Port, the PRC. The Group selected the location with a view to increase the brand awareness of "everyBody Labo" among Chinese tourists, marking another crucial step towards exploring the PRC market.

All in all, the Group is confident in its ability to enhance its competitive advantages and maintain a leading position in the industry with all the strategic moves made. Putting the interests of shareholders as its top priority, the Group is determined to develop the business in a more results-driven fashion in an effort to maximize shareholder's returns.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group's cash and cash equivalents amounted to HK$290.0 million (31 December 2012: HK$245.5 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 bore 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 2013, the outstanding borrowing of this facility amounted to HK$42.0 million (31 December 2012: HK$45.2 million). Details of the borrowings are set out in note 12 to the condensed consolidated interim financial information.

The gearing ratio as at 30 June 2013, calculated on the basis of borrowings over total equity attributable to the equity holders of the Company, was 5.6% as compared to 3.6% as at 31 December 2012.

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 2013, a subsidiary of the Company pledged assets with aggregate carrying value of HK$197.0 million (31 December 2012: HK$197.0 million) to secure drawn bank borrowings.

CAPITAL COMMITMENTS, OPERATING LEASE COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments, operating lease commitments and contingent liabilities are set out in note 16 and note 17 to the condensed consolidated interim financial information.

EMPLOYEES

As at 30 June 2013, the total number of employees of the Group was approximately 4,800 and the employee benefit expenses was approximately HK$163 million. 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 recognize their outstanding performance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, redeemed or sold any listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Group has complied with all the code provisions set out in the Corporate Governance Code (the "Code") during the six months ended 30 June 2013 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 announcement, the Board has not appointed an individual to the post of chief executive officer. The role of the chief executive officer has 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 four independent non-executive Directors with written terms of reference in accordance with the requirements of the Listing Rules. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2013.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company 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 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 2013.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK1.5 cents per share for the six months ended 30 June 2013 to shareholders whose names appear on the register of members of the Company on 26 September 2013. It is expected that the interim dividend will be paid on or around 10 October 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 23 September 2013 to Thursday, 26 September 2013 (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 2013.

CHANGE OF PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

On 26 January 2013, the Company's principal share registrar and transfer agent in the Cayman Islands was changed to Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

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

Hong Kong, 29 August 2013

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 Director is Mr. Lawrence Joseph MORSE; and the independent non-executive Directors are Mr. SUN Kai Lit Cliff, Mr. HUNG Kam Hung Allan, Mr. MA Chun Fung Horace and Mr. NG Bo Kwong.

* *For identification purpose only*