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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3828)

## 2015 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 2015 as follows:

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)	
		Six months ended 30 June	
		2015	2014
	Note	HK\$'000	HK\$'000
Revenue	3	841,521	767,391
Cost of sales	4	<u>(638,201)</u>	<u>(574,377)</u>
<b>Gross profit</b>		<b>203,320</b>	193,014
Distribution costs	4	(91,982)	(89,674)
Administrative expenses	4	(56,220)	(57,124)
Other income	5	<u>4,170</u>	<u>3,904</u>
<b>Operating profit</b>		<b>59,288</b>	50,120
Finance income		596	729
Finance costs		(193)	(208)
Share of profit/(loss) of an associated company		56	(11)
Share of losses of joint ventures		<u>(80)</u>	<u>(155)</u>
<b>Profit before income tax</b>		<b>59,667</b>	50,475
Income tax expenses	6	<u>(16,288)</u>	<u>(11,880)</u>
<b>Profit for the period</b>		<b><u>43,379</u></b>	<b><u>38,595</u></b>

		(Unaudited)	
		Six months ended 30 June	
		2015	2014
Note		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other comprehensive loss, net of tax</b>			
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>			
	Currency translation differences	(1,281)	(14,947)
	Realisation of exchange reserve upon disposal of a subsidiary	<u>—</u>	<u>(78)</u>
	<b>Total comprehensive income for the period</b>	<b><u>42,098</u></b>	<b><u>23,570</u></b>
<b>Profit/(loss) for the period attributable to:</b>			
	Equity holders of the Company	44,893	41,125
	Non-controlling interests	<u>(1,514)</u>	<u>(2,530)</u>
		<b><u>43,379</u></b>	<b><u>38,595</u></b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
	Equity holders of the Company	43,610	26,104
	Non-controlling interests	<u>(1,512)</u>	<u>(2,534)</u>
		<b><u>42,098</u></b>	<b><u>23,570</u></b>
<b>Earnings per share attributable to equity holders of the Company (HK cents)</b>			
	Basic	14      6.4	5.9
	Diluted	14 <u>6.3</u>	<u>5.8</u>
	<b>Proposed interim dividend per share (HK cents)</b>	15 <b><u>2.0</u></b>	<b><u>1.5</u></b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited)	(Audited)
		30 June	31 December
		2015	2014
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		346,624	347,248
Land use rights		18,082	18,365
Property, plant and equipment		209,617	209,744
Investment properties		207,536	207,554
Intangible assets		12,074	13,283
Investment in an associated company		1,038	982
Investments in joint ventures		569	649
Long-term prepayments		34,774	22,393
Deferred income tax assets		<u>7,852</u>	<u>8,192</u>
<b>Total non-current assets</b>		<u><b>838,166</b></u>	<u>828,410</u>
<b>Current assets</b>			
Inventories		191,320	213,028
Prepaid tax		—	436
Amount due from an associated company	8	4,383	4,286
Amounts due from joint ventures		43	30
Deposits, prepayments and other receivables		48,198	62,464
Trade and bills receivables	7	481,919	448,732
Restricted cash	9	37,448	37,515
Cash and cash equivalents	10	<u>258,976</u>	<u>328,410</u>
<b>Total current assets</b>		<u><b>1,022,287</b></u>	<u>1,094,901</u>
<b>Total assets</b>		<u><b>1,860,453</b></u>	<u><b>1,923,311</b></u>
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	13	7,045	6,986
Share premium	13	595,076	591,499
Other reserves		721,252	691,874
Proposed interim/final dividend	15	<u>14,089</u>	<u>20,958</u>
		<u><b>1,337,462</b></u>	<u>1,311,317</u>
Non-controlling interests		<u>(16,759)</u>	<u>(14,925)</u>
<b>Total equity</b>		<u><b>1,320,703</b></u>	<u><b>1,296,392</b></u>

		(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term bank borrowings	12	22,713	25,971
Deferred income tax liabilities		<u>5,330</u>	<u>5,555</u>
<b>Total non-current liabilities</b>		<u>28,043</u>	<u>31,526</u>
<b>Current liabilities</b>			
Loans from non-controlling interests		12,217	10,526
Current portion of long-term bank borrowings	12	6,503	6,473
Dividends payable		54	39
Current income tax liabilities		23,707	20,837
Accruals and other payables		274,137	304,955
Trade payables	11	<u>195,089</u>	<u>252,563</u>
<b>Total current liabilities</b>		<u>511,707</u>	<u>595,393</u>
<b>Total liabilities</b>		<u>539,750</u>	<u>626,919</u>
<b>Total equity and liabilities</b>		<u>1,860,453</u>	<u>1,923,311</u>
<b>Net current assets</b>		<u>510,580</u>	<u>499,508</u>
<b>Total assets less current liabilities</b>		<u>1,348,746</u>	<u>1,327,918</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company (Unaudited)					Non- controlling interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Sub-total HK\$'000				
<b>Balance at 1 January 2014</b>	6,977	590,935	687,618	1,285,530	(12,662)	1,272,868		
<b>Total comprehensive income/ (loss) for the period</b>	—	—	26,104	26,104	(2,534)	23,570		
<b>Transactions with owners, recognised directly in equity:</b>								
Exercise of share options <i>(Note 13)</i>	1	61	—	62	—	62		
Capital injection from non-controlling interests	—	—	—	—	51	51		
Share-based compensation	—	—	48	48	—	48		
Disposal of a subsidiary	—	—	—	—	2,156	2,156		
Dividends relating to 2013 paid in 2014	—	—	(13,955)	(13,955)	—	(13,955)		
<b>Total transactions with owners, recognised directly in equity</b>	1	61	(13,907)	(13,845)	2,207	(11,638)		
<b>Balance at 30 June 2014</b>	<u>6,978</u>	<u>590,996</u>	<u>699,815</u>	<u>1,297,789</u>	<u>(12,989)</u>	<u>1,284,800</u>		

	Attributable to equity holders of the Company (Unaudited)				Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Sub-total HK\$'000		
<b>Balance at 1 January 2015</b>	<u>6,986</u>	<u>591,499</u>	<u>712,832</u>	<u>1,311,317</u>	<u>(14,925)</u>	<u>1,296,392</u>
<b>Total comprehensive income/ (loss) for the period</b>	<u>—</u>	<u>—</u>	<u>43,610</u>	<u>43,610</u>	<u>(1,512)</u>	<u>42,098</u>
<b>Transactions with owners, recognised directly in equity:</b>						
Exercise of share options (Note 13)	59	3,577	—	3,636	—	3,636
Dividends relating to 2014 paid in 2015	—	—	(21,101)	(21,101)	—	(21,101)
Dividends paid to a non-controlling interest	—	—	—	—	(322)	(322)
<b>Total transactions with owners, recognised directly in equity</b>	<u>59</u>	<u>3,577</u>	<u>(21,101)</u>	<u>(17,465)</u>	<u>(322)</u>	<u>(17,787)</u>
<b>Balance at 30 June 2015</b>	<u>7,045</u>	<u>595,076</u>	<u>735,341</u>	<u>1,337,462</u>	<u>(16,759)</u>	<u>1,320,703</u>
<b>Representing:</b>						
Share capital, share premium and other reserves						1,323,373
Proposed interim dividend (Note 15)						<u>14,089</u>
						1,337,462
Non-controlling interests						<u>(16,759)</u>
<b>Balance at 30 June 2015</b>						<u>1,320,703</u>

## **NOTES:**

### **1 BASIS OF PREPARATION**

This condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, 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.

### **2 ACCOUNTING POLICIES**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to HKFRS effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

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

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be 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”). 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 of an associated company and share of losses of joint ventures.

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	Total HK\$'000	
	North		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
	America HK\$'000	Europe HK\$'000											
<b>Six months ended 30 June 2015</b> (Unaudited)													
Segment revenue	217,424	100,045	253,812	105,337	20,732	123,316	2,688	823,354	24,419	212	24,631	—	847,985
Inter-segment revenue	—	—	(6,147)	(67)	—	—	—	(6,214)	(249)	(1)	(250)	—	(6,464)
Revenue from external customers	217,424	100,045	247,665	105,270	20,732	123,316	2,688	817,140	24,170	211	24,381	—	841,521
Segment profit/(loss) before income tax	32,423	9,645	13,284	9,733	800	12,306	383	78,574	(15,973)	(2,480)	(18,453)	(430)	59,691
Share of profit of an associated company													56
Share of losses of joint ventures													(80)
Income tax expenses													(16,288)
<b>Profit for the period</b>													<b>43,379</b>
<b>Six months ended 30 June 2014</b> (Unaudited)													
Segment revenue	192,112	92,267	217,156	87,932	19,550	104,903	2,300	716,220	44,219	1,376	45,595	7,797	769,612
Inter-segment revenue	—	—	(1,875)	—	—	—	—	(1,875)	—	(346)	(346)	—	(2,221)
Revenue from external customers	192,112	92,267	215,281	87,932	19,550	104,903	2,300	714,345	44,219	1,030	45,249	7,797	767,391
Segment profit/(loss) before income tax	27,745	9,034	18,926	6,470	795	12,351	245	75,566	(15,030)	(3,276)	(18,306)	(6,619)	50,641
Share of loss of an associated company													(11)
Share of losses of joint ventures													(155)
Income tax expenses													(11,880)
<b>Profit for the period</b>													<b>38,595</b>



	Manufacturing and distribution business of amenity products					Distribution and retail business of cosmetics and fashion accessories			Others	Inter- segment elimination	Total
	The PRC	Hong Kong	Australia	Other locations (Note (iii))	Sub-total	The PRC	Hong Kong	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
As at 30 June 2015 (Unaudited)											
Total assets	874,357	549,478	1,287	41,423	1,466,545	429,955	4,696	434,651	276,006	(316,749)	1,860,453
As at 31 December 2014 (Audited)											
Total assets	871,269	588,102	841	37,462	1,497,674	440,420	3,400	443,820	280,561	(298,744)	1,923,311

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.

#### 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	
	2015	2014
	HK\$'000	HK\$'000
Changes in inventories	461,175	410,575
Auditor's remuneration	1,650	1,650
Amortisation of land use rights	249	235
Depreciation of property, plant and equipment	17,496	17,429
Amortisation of intangible assets	1,623	1,535
Operating lease rental in respect of buildings	10,972	11,074
(Gain)/loss on disposal of property, plant and equipment	(88)	298
Provision for obsolete inventories	314	247
Direct written off for obsolete inventories	2,311	1,885
Provision for impairment of trade and bills receivables	8,706	1,700
Provision for impairment of other receivables	509	—
Employee benefit expenses	164,170	160,783
Transportation expenses	30,569	24,267
Exchange (gain)/loss, net	(3,388)	4,472
Advertising costs	6,455	15,079

## 5 OTHER INCOME

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Income from sales of scrap materials	<b>816</b>	896
Rental income	<b>2,983</b>	2,374
Others	<b>371</b>	634
	<b><u>4,170</u></b>	<b><u>3,904</u></b>

## 6 INCOME TAX EXPENSES

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

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax:		
— Hong Kong profits tax	<b>13,742</b>	11,879
— PRC enterprise income tax	<b>1,826</b>	(279)
— Singapore income tax	<b>611</b>	230
	<b>16,179</b>	11,830
Deferred income tax	<b>109</b>	50
	<b><u>16,288</u></b>	<b><u>11,880</u></b>

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates.

Hong Kong profits tax, PRC enterprise tax and Singapore income tax are calculated at 16.5% (for the six months ended 30 June 2014: 16.5%), 25% (for the six months ended 30 June 2014: 25%) and 17% (for the six months ended 30 June 2014: 17%), respectively on the estimated assessable profits for the six months ended 30 June 2015.

## 7 TRADE AND BILLS RECEIVABLES

	(Unaudited) 30 June 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
Trade receivables	511,461	470,822
Bills receivables	<u>4,606</u>	<u>4,006</u>
	516,067	474,828
Less: provision for impairment of receivables	<u>(34,148)</u>	<u>(26,096)</u>
Trade and bills receivables, net	<u><u>481,919</u></u>	<u><u>448,732</u></u>

Ageing analysis of the gross trade and bills receivables as at 30 June 2015 and 31 December 2014 is as follows:

	(Unaudited) 30 June 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
Current	241,192	252,804
1 – 30 days	73,544	78,770
31 – 60 days	46,618	45,891
61 – 90 days	18,572	21,149
91 – 180 days	77,626	31,874
Over 180 days	<u>58,515</u>	<u>44,340</u>
	<u><u>516,067</u></u>	<u><u>474,828</u></u>

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

## 8 AMOUNT DUE FROM AN ASSOCIATED COMPANY

The amount represents trade receivables from an associated company. The carrying value of the amount approximates its fair value. The amount is mainly denominated in HK\$. The credit period granted is 30 days. The ageing analysis of amount is as follows:

	(Unaudited) 30 June 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
Current	697	957
1 – 30 days	497	666
31 – 60 days	1,297	473
61 – 90 days	687	380
Over 90 days	<u>1,205</u>	<u>1,810</u>
	<u><u>4,383</u></u>	<u><u>4,286</u></u>

## 9 RESTRICTED CASH

	(Unaudited) 30 June 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
Restricted cash	<u><u>37,448</u></u>	<u><u>37,515</u></u>

As at 30 June 2015, the restricted cash of Renminbi (“RMB”) 30,000,000 (equivalent to approximately HK\$37,448,000) (31 December 2014: RMB30,000,000 (equivalent to approximately HK\$37,515,000)) was placed 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.

## 10 CASH AND CASH EQUIVALENTS

	(Unaudited) 30 June 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
Cash at banks and on hand	225,853	223,397
Short-term bank deposits	<u>33,123</u>	<u>105,013</u>
	<u><u>258,976</u></u>	<u><u>328,410</u></u>

The Group’s cash and bank balances amounted to approximately HK\$116,517,000 (31 December 2014: HK\$138,185,000) 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 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
Current	129,606	176,764
1 – 30 days	48,351	56,236
31 – 60 days	6,713	10,785
61 – 90 days	2,608	3,372
Over 90 days	<u>7,811</u>	<u>5,406</u>
	<u><u>195,089</u></u>	<u><u>252,563</u></u>

## 12 BORROWINGS

	(Unaudited) 30 June 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
Long-term borrowings		
— Non-current portion	22,713	25,971
— Current portion	<u>6,503</u>	<u>6,473</u>
	<u><u>29,216</u></u>	<u><u>32,444</u></u>

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 were included in investment properties in the interim condensed consolidated balance sheet of the Group, with net carrying values of HK\$197,600,000 as at 30 June 2015 (31 December 2014: HK\$197,600,000).

Interest expenses on borrowings for the six months ended 30 June 2015 was approximately HK\$193,000 (for the six months ended 30 June 2014: approximately HK\$208,000).

### 13 SHARE CAPITAL AND SHARE PREMIUM

#### Ordinary shares, issued and fully paid:

	Number of shares	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Balance at 1 January 2015</b>	698,587,697	6,986	591,499	598,485
<b>Proceeds from shares issued — employee share option scheme</b>	<u>5,864,000</u>	<u>59</u>	<u>3,577</u>	<u>3,636</u>
<b>Balance at 30 June 2015</b>	<u><u>704,451,697</u></u>	<u><u>7,045</u></u>	<u><u>595,076</u></u>	<u><u>602,121</u></u>
<b>Balance at 1 January 2014</b>	697,663,697	6,977	590,935	597,912
<b>Proceeds from shares issued — employee share option scheme</b>	<u>100,000</u>	<u>1</u>	<u>61</u>	<u>62</u>
<b>Balance at 30 June 2014</b>	<u><u>697,763,697</u></u>	<u><u>6,978</u></u>	<u><u>590,996</u></u>	<u><u>597,974</u></u>

### 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	
	2015	2014
<b>Earnings</b>		
Profit attributable to equity holders of the Company <i>(HK\$'000)</i>	<u><u>44,893</u></u>	<u><u>41,125</u></u>
Weighted average number of ordinary shares in issue <i>(thousands)</i>	<u><u>700,531</u></u>	<u><u>697,707</u></u>
Basic earnings per share attributable to equity holders of the Company <i>(HK cents)</i>	<u><u>6.4</u></u>	<u><u>5.9</u></u>

**(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 historical market price of the shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
<b>Earnings</b>		
Profit attributable to equity holders of the Company (HK\$'000)	<u><b>44,893</b></u>	<u>41,125</u>
<b>Weighted average number of ordinary shares in issue (thousands)</b>	<b>700,531</b>	697,707
Adjustments for:		
— Share options (thousands)	<u><b>12,034</b></u>	<u>7,367</u>
<b>Weighted average number of ordinary shares for diluted earnings per share (thousands)</b>	<u><b>712,565</b></u>	<u>705,074</u>
Diluted earnings per share attributable to equity holders of the Company (HK cents)	<u><b>6.3</b></u>	<u>5.8</u>

**15 DIVIDENDS**

On 21 May 2015, a final dividend of HK3.0 cents per share for the year ended 31 December 2014 was approved by the Company's shareholders. Total dividend of approximately HK\$21,101,000 was paid out for the six months ended 30 June 2015.

The Board has resolved to pay an interim dividend of HK2.0 cents per share, amounting to a total dividend of approximately HK\$14,089,000, in respect of the six months ended 30 June 2015 (for the six months ended 30 June 2014: HK1.5 cents per share, amounting to a total dividend of approximately HK\$10,467,000).

## **16 CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS**

As at 30 June 2015, the capital commitments contracted for but not provided for in the condensed consolidated interim financial information of the Group were HK\$92,116,000 (31 December 2014: HK\$9,927,000). Included in the capital commitments as at 30 June 2015 of HK\$53,226,000 and HK\$32,657,000 were in relation to the acquisition of six properties and a car parking space in Tsuen Wan area of Hong Kong and a property for production in Luoding, the PRC respectively.

As at 30 June 2015, the operating lease commitments of the Group were HK\$35,080,000 (31 December 2014: HK\$42,303,000).

## **17 PROVISION FOR LEGAL COMPENSATION**

In 2012, a competitor (the “Plaintiff”) alleged that certain subsidiaries of the Group, including 廣州七色花投資顧問有限公司, 深圳輝華倉儲服務有限公司 and 明輝實業(深圳)有限公司 (collectively, the “Defendants”), had infringed trademarks and sought damages of RMB100,000,000 (equivalent to approximately HK\$127,890,000). In January 2014, the Group received the judgement made by the Higher People’s Court of Fujian Province against the Defendant that, amongst other things, the Defendants shall pay to the Plaintiff a total amount of RMB30,000,000 (equivalent to approximately HK\$38,367,000) as damages. As a result, the Group accrued provision for legal compensation and other related costs of RMB31,000,000 (equivalent to approximately HK\$39,138,000) in its consolidated balance sheet as at 31 December 2013. The provision remained the same as at 30 June 2015.



## 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		Change in %
	2015 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	
Revenue	<b>841.5</b>	767.4	9.7
Gross profit	<b>203.3</b>	193.0	5.3
Profit attributable to equity holders of the Company	<b>44.9</b>	41.1	9.2
Net asset value as at 30 June 2015 and 31 December 2014	<b>1,321.0</b>	1,296.4	1.9
Basic earnings per share attributable to equity holders of the Company ( <i>HK cents</i> )	<b>6.4</b>	5.9	8.5
Diluted earnings per share attributable to equity holders of the Company ( <i>HK cents</i> )	<b>6.3</b>	5.8	8.6
Dividend per share ( <i>HK cents</i> )	<b>2.0</b>	1.5	33.3

The Group's total consolidated revenue for the six months ended 30 June 2015 increased by 9.7% to HK\$841.5 million from HK\$767.4 million for the six months ended 30 June 2014. Profit attributable to equity holders of the Company for period under review increased by 9.2% to HK\$44.9 million from HK\$41.1 million in the corresponding period in the prior year.

Basic earnings per share attributable to equity holders of the Company for the six months ended 30 June 2015 was HK6.4 cents (for the six months ended 30 June 2014: HK5.9 cents).

The overall gross profit margin for the period under review decreased to 24.2% from 25.2% for the six months ended 30 June 2015, due to the climbing labour and raw material costs.

The consolidated net asset value increased to HK\$1,321.0 million as at 30 June 2015 from HK\$1,296.4 million as at 31 December 2014.

The Board has resolved to pay an interim dividend of HK2.0 cents per share for the six months ended 30 June 2015 (for the six months ended 30 June 2014: HK1.5 cents per share).

## **BUSINESS REVIEW**

In June 2015, the World Bank downgraded its expectations for global economic growth in 2015 to 2.8%, a drop of 0.2 percentage point compared to which it forecasted in January this year. As the world's second largest economy, China has shown slower economic growth after two decades of speedy annual increases. Despite this sluggish economic environment, the Group followed its strategies precisely and maintained a stable business performance during the first half of 2015. The overall revenue during the period under review was HK\$841.5 million, a 9.7% increase compared to the corresponding period last year (for the six months ended 30 June 2014: HK\$767.4 million).

Each business sector of the Group remained solid during the period under review. On the one hand, the hospitality supplies business continued as a key contributor role to the financial income, while on the other hand, a series of cost cutting measures in the retail business have been executed by the Group. Consequently, the overall performance during the first half of 2015 was positive.

On 30 June 2015, the Group entered into seven provisional agreements to acquire six properties and a car parking space in Tsuen Wan area of Hong Kong at an aggregate consideration, excluding stamp duty, of HK\$52.0 million and intends to use it as its head office. Management considers this acquisition will enable the Group to achieve rental savings, broaden the fixed asset base of the Group and provide capital appreciation potential for the Group. It is expected that the transactions of the six properties and the car parking space will be completed on or before 30 September 2015 and 15 October 2015 respectively.

### **Hospitality Supplies Business**

According to the latest statistics, UN World Tourism Organization (“UNWTO”) World Tourism Barometer reported that tourist arrivals showed a 4% year on year growth worldwide in the first four months of 2015. It also claimed a prospected increase of 4.3% in 2014, which is in line with the upward trend of international tourism in recent years. More detailed analysis reveals that the United States played a leading role with a 6% increase during the first four months, followed by Europe, Asia and the Pacific and the Middle East.

For the six months ended 30 June 2015, the hospitality supplies business recorded a revenue of HK\$817.1 million, up 14.4% compared to the same period in 2014 (for the six months ended 30 June 2014: HK\$714.3 million). The segment contributed 97.1% to the consolidated revenue as the core business of the Group, driven by orders from newly cultivated customers. The China market remained as the largest contributor, accounting for 30.3% of the overall hospitality supplies business. Since the China market gained the largest number of new customers, proportionality of other regional markets decreased, but the number of customers in these areas still recorded increases.

The Operating Supplies and Equipment (“OS&E”) business launched in the second half of 2014 continued to expand during the period under review. It started to contribute financial returns to the Group but it is still at its initial stage and thus needs time to grow. With the solid hotel customer base accumulated over the years by the Group, the OS&E business opened the market and won business from both existing and newly-developed hotel customers. The Group is optimistic that the business will become another profit driver once mature.

## **Retail Business**

The physical retail stores in China experienced a continuing tough environment and downtrend during the first half of this year, mainly due to challenges from e-commerce. A report written by China Business Net (中國商網) said the number of store closing rose constantly in the first half of 2015, specifically, 121 large physical retail stores were shut down. Amid this market trend, the Group’s retail business in the PRC recorded a revenue of HK\$24.2 million for the six months ended 30 June 2015 (for the six months ended 30 June 2014: HK\$44.2 million). Gross profit attributable to the business presented a fluctuation due to the sluggish retail environment. The retail chain outlet in the PRC stayed in a recessionary situation. Nevertheless, the Group adjusted and practiced cost cutting strategies such as lowering administrative costs and reducing promotional activities. During the period under review, the number of PRC retail chain outlets was further cut to 648 (as at 31 December 2014: 805).

After commencing appeal proceedings with the Supreme People’s Court of the PRC, the legal issue regarding trademark infringement is still pending final judgment. Renminbi (“RMB”) 30.0 million (equivalent to approximately HK\$37.4 million) was withheld by the court for potential compensation. The Group will continue endeavoring to defend its rights and interests with all necessary actions.

For the self-owned body care brand — “everybody Labo” — this retail business segment of the Group recorded a loss of HK\$3.1 million for the period under review (for the six months ended 30 June 2014: a loss of HK\$4.7 million). The brand’s physical storefront in City Garden in North Point, Hong Kong, was established for branding, providing service experiences for customers to better understand products and the brand itself. However, the Group ceased further expanding the brand in Hong Kong due to the limited market in Hong Kong. On the other hand, the brand achieved a further geographic expansion in China during the review period, resulting the brand’s new penetration into Xinjiang, Gansu, Guizhou and Jiangsu areas.

## **PROSPECTS**

The International Monetary Fund announced in early July 2015 that global economic output this year was cut to 3.3%, and this is considered an important medium-term risk in both advanced and emerging market economies. However, the tourism industry is seeing optimistic prospects for the coming months based on a report from UNWTO. It enhances the forecast of 3% to 4% increase of tourist arrivals which was expected earlier this year.

The Group will continue to practice its existing strategies. The China market remains highly valued as the major and most focused target of the two main businesses of the Group. For the hospitality supplies business, the Group plans to further develop its new customers worldwide, especially in the Greater China market and emerging markets in the Asia Pacific regions. The newly-developed OS&E business will become a steady profit driver for the Group backed by its momentum growth in the coming future.

For the retail business, although online retailing is experiencing rapid success, it cannot fully replace physical stores. The Group is determined to upgrade its outlet business by improving product quality and enriching the product mix. In line with the revamping, higher caliber franchisees will be selected for the new stores. In addition, the own-label brand “everybody Labo” will keep expanding its China market presence, strengthening its population in cities of operation and cultivating retail networks in new cities.

Looking forward, the hospitality supplies business will remain as the core business of the Group, with more effort to be contributed by the Group. Once reaching maturity, the OS&E business will become another core contributor for revenue. Furthermore, for the retail business, we will keep following cost control policies while upgrading outlets as well as expanding our own-label brand in the China market. We believe that with astute strategies, the Group will achieve a satisfactory outcome and produce a favorable financial return to our shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2015, the Group’s cash and cash equivalents amounted to HK\$259.0 million (31 December 2014: HK\$328.4 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 Inter-bank Offered Rate (“HIBOR”) plus 0.75% per annum or 1.75% below Hong Kong dollars Prime Rate, whichever is lower. The facility is secured by the office premises with the maturity date on 27 November 2019. As at 30 June 2015, the outstanding borrowing of this facility amounted to HK\$29.2 million (31 December 2014: HK\$32.4 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 2015, calculated on the basis of borrowings over total equity attributable to the equity holders of the Company, was 2.2% as compared to 2.5% as at 31 December 2014.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. 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 2015, a subsidiary of the Company pledged assets with aggregate carrying value of HK\$197.6 million (31 December 2014: HK\$197.6 million) to secure drawn bank borrowings.

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

Details of the capital commitments and operating lease commitments are set out in Note 16 to the condensed consolidated interim financial information. Other than those disclosed in Note 17, the Group does not have other material contingent liabilities as at 30 June 2015.

### **EMPLOYEES**

As at 30 June 2015, the total number of employees of the Group was approximately 4,300 and the employee benefit expenses was approximately HK\$164.2 million. The Group offers a comprehensive remuneration package which is reviewed by the 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 2015, 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 2015 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 2015.

## **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 2015.

## **INTERIM DIVIDEND**

The Board has declared the payment of an interim dividend of HK2.0 cents per share for the six months ended 30 June 2015 to shareholders whose names appear on the register of members of the Company on 29 September 2015. It is expected that the interim dividend will be paid on or around 9 October 2015.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from Thursday, 24 September 2015 to Tuesday, 29 September 2015 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the 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 23 September 2015.

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

Hong Kong, 27 August 2015

*As at the date of this announcement, the executive Directors are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang, Mr. CHING Tsun Wah and Mr. KEUNG Kwok Hung; the non-executive Director is Ms. CHAN Yim Ching; 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*