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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: 03828)

# 2017 INTERIM RESULTS ANNOUNCEMENT

## HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

- Revenue increased 9.4% to HK$844.3 million (for the six months ended 30 June 2016: HK$771.8 million).
- Gross profit increased 3.4% to HK$211.7 million (for the six months ended 30 June 2016: HK$204.8 million).
- Gross profit margin decreased 1.4 percentage points to 25.1% (for the six months ended 30 June 2016: 26.5%).
- Operating profit is HK$72.2 million (for the six months ended 30 June 2016: HK$56.6 million) and the profit for the six months ended 30 June 2017 is HK$54.2 million (for the six months ended 30 June 2016: HK$96.8 million). To provide better information to the readers of the financial statements, additional financial information is presented below:

| | (Unaudited) Six months ended 30 June | | |
|---|---|---|---|
| | **2017** | 2016 | |
| | | Including Fair Value Gains | Excluding# Fair Value Gains |
| | ***HK$ million*** | *HK$ million* | *HK$ million* |
| Operating profit | **72.2** | 56.6 | 56.6 |
| Profit for the period | **54.2** | 96.8 | 41.3 |
| Profit for the period attributable to owners of the Company | **54.9** | 100.5 | 45.1 |
| Basic earnings per share attributable to owners of the Company (HK cents) | **7.6** | 14.2 | 6.4 |

\# This non-GAAP (generally accepted accounting principles) financial information is presented as additional information to readers.

- An interim dividend of HK2.0 cents (for the six months ended 30 June 2016: HK2.0 cents) per share was declared.

* *For identification purpose only*

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 2017 as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | **(Unaudited) Six months ended 30 June** | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **844,276** | 771,798 |
| Cost of sales | *4* | **(632,572)** | (566,991) |
| **Gross profit** | | **211,704** | 204,807 |
| Distribution costs | *4* | **(91,275)** | (86,904) |
| Administrative expenses | *4* | **(49,206)** | (66,516) |
| Other income | *5* | **967** | 5,251 |
| **Operating profit** | | **72,190** | 56,638 |
| Finance income | | **307** | 310 |
| Finance costs | *11* | **(325)** | (489) |
| Share of profit of an associated company | | **600** | 100 |
| Share of profit/(losses) of joint ventures | | **45** | (80) |
| Fair value gains on investment properties | | **—** | 55,413 |
| **Profit before income tax** | | **72,817** | 111,892 |
| Income tax expenses | *6* | **(18,640)** | (15,134) |
| **Profit for the period** | | **54,177** | 96,758 |
| **Other comprehensive income/(loss)** | | | |
| *Items that have been reclassified or may be subsequently reclassified to profit or loss* | | | |
| Currency translation differences | | **6,042** | (3,887) |
| **Total comprehensive income for the period** | | **60,219** | 92,871 |

| | | (Unaudited) Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Profit/(loss) for the period attributable to:** | | | |
| Owners of the Company | | **54,860** | 100,524 |
| Non-controlling interests | | **(683)** | (3,766) |
| | | **54,177** | 96,758 |
| **Total comprehensive income/(loss) for the period attributable to:** | | | |
| Owners of the Company | | **61,253** | 96,603 |
| Non-controlling interests | | **(1,034)** | (3,732) |
| | | **60,219** | 92,871 |
| **Earnings per share attributable to owners of the Company (expressed in HK cents)** | | | |
| Basic | *13(a)* | **7.6** | 14.2 |
| Diluted | *13(b)* | **7.5** | 14.1 |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | (Unaudited) 30 June 2017 HK$'000 | (Audited) 31 December 2016 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | **38,625** | 38,006 |
| Property, plant and equipment | | **262,121** | 265,164 |
| Investment properties | | **13,685** | 13,285 |
| Intangible assets | | **2,515** | 1,852 |
| Long-term prepayments and deposits | | **5,826** | 4,272 |
| Investment in an associated company | | **2,852** | 2,256 |
| Investment in a joint venture | | **255** | 210 |
| Deferred income tax assets | | **6,330** | 6,019 |
| **Total non-current assets** | | **332,209** | 331,064 |
| **Current assets** | | | |
| Inventories | | **209,694** | 238,296 |
| Trade and bills receivables | *7* | **464,656** | 533,381 |
| Amount due from an associated company | *8* | **7,918** | 5,175 |
| Amount due from a joint venture | | **38** | 54 |
| Tax recoverable | | **—** | 3,909 |
| Deposits, prepayments and other receivables | | **36,870** | 33,432 |
| Short-term bank deposit | | **74** | 68 |
| Cash and cash equivalents | *9* | **420,142** | 508,616 |
| **Total current assets** | | **1,139,392** | 1,322,931 |
| **Total assets** | | **1,471,601** | 1,653,995 |
| **EQUITY** | | | |
| **Equity attributable to owner of the Company** | | | |
| Share capital | *12* | **7,252** | 7,238 |
| Reserve | | **1,013,049** | 966,483 |
| Proposed interim/final dividend | *14* | **14,531** | 28,985 |
| | | **1,034,832** | 1,002,706 |
| Non-controlling interests | | **(28,704)** | (27,670) |
| **Total equity** | | **1,006,128** | 975,036 |

| | Note | (Unaudited) 30 June 2017 HK$'000 | (Audited) 31 December 2016 HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **2,715** | 2,612 |
| **Total non-current liabilities** | | **2,715** | 2,612 |
| **Current liabilities** | | | |
| Bank borrowings | *11* | **24,136** | 26,244 |
| Trade payables | *10* | **156,140** | 208,895 |
| Accruals and other payables | | **239,407** | 263,427 |
| Current income tax liabilities | | **28,704** | 19,514 |
| Loans from non-controlling interests | | **14,192** | 13,592 |
| Dividends payable | | **179** | 144,675 |
| **Total current liabilities** | | **462,758** | 676,347 |
| **Total liabilities** | | **465,473** | 678,959 |
| **Total equity and liabilities** | | **1,471,601** | 1,653,995 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners 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 2016** | 7,054 | 595,679 | 428,281 | 1,031,014 | (19,636) | 1,011,378 |
| **Total comprehensive income/ (loss) for the period** | — | — | 96,603 | 96,603 | (3,732) | 92,871 |
| **Transactions with owners, recognised directly in equity:** | | | | | | |
| Exercise of share options | 3 | 183 | — | 186 | — | 186 |
| Dividends relating to 2015 paid in 2016 | — | — | (21,173) | (21,173) | — | (21,173) |
| **Total transactions with owners, recognised directly in equity** | 3 | 183 | (21,173) | (20,987) | — | (20,987) |
| **Balance at 30 June 2016** | 7,057 | 595,862 | 503,711 | 1,106,630 | (23,368) | 1,083,262 |

| | Attributable to owners of the Company (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Shares held under the share award scheme (the "Scheme") HK$'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 2017** | 7,238 | (1,038) | 606,905 | 389,601 | 1,002,706 | (27,670) | 975,036 |
| **Total comprehensive income/ (loss) for the period** | — | — | — | 61,253 | 61,253 | (1,034) | 60,219 |
| **Transactions with owners, recognised directly in equity:** | | | | | | | |
| Exercise of share options | 14 | — | 839 | — | 853 | — | 853 |
| Purchase of shares under the Scheme | — | (1,050) | — | — | (1,050) | — | (1,050) |
| Dividends relating to 2016 paid in 2017 | — | — | — | (28,930) | (28,930) | — | (28,930) |
| **Total transactions with owners, recognised directly in equity** | 14 | (1,050) | 839 | (28,930) | (29,127) | — | (29,127) |
| **Balance at 30 June 2017** | 7,252 | (2,088) | 607,744 | 421,924 | 1,034,832 | (28,704) | 1,006,128 |
| **Representing:** | | | | | | | |
| Share capital, share premium and other reserves | | | | | | | 1,020,301 |
| Proposed interim dividend *(Note 14)* | | | | | | | 14,531 |
| | | | | | | | 1,034,832 |
| Non-controlling interests | | | | | | | (28,704) |
| **Balance at 30 June 2017** | | | | | | | 1,006,128 |

## *NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION*

### 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

**(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.**

**(b) Impact of standards issued but not yet applied by the Group**

**(i)** ***HKFRS 9, 'Financial instruments'***

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities. Further, the new rules introduced for hedge accounting is not relevant as the Group currently does not apply hedge accounting.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15, 'Revenue from contracts with customers', lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018.

**(ii)** ***HKFRS 15, 'Revenue from contracts with customers'***

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service — the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as assets under HKFRS 15, and

- rights of return — HKFRS 15 requires separate presentation on the consolidated balance sheet of the right to recover the goods from the customers and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's consolidated financial statements. The Group will make more detailed assessments of the impact over the next six months.

**(iii)** ***HKFRS 16, 'Leases'***

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$21,430,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## 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 customers are located. The Group is also engaged in the distribution and retail business of cosmetics products and fashion accessories in the People's Republic of China (the "PRC") through retail chain outlets. 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 before income tax, share of profit of an associated company, share of profit/(losses) of joint ventures and fair value gains on investment properties.

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 terms. Depreciation and amortisation charges are apportioned with reference to respective segment revenue from external customers. Assets and liabilities of the Group are allocated by reference to the principal markets in which the Group operates.

## Geographical

| | Manufacturing and distribution business of amenity products | | | | | | | | Distribution and retail business of cosmetics and fashion accessories | | | Others | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | North America *HK$'000* | Europe *HK$'000* | The PRC *HK$'000* | Hong Kong *HK$'000* | Australia *HK$'000* | Other Asia Pacific countries *(Note (i))* *HK$'000* | Others *(Note (ii))* *HK$'000* | Sub-total *HK$'000* | The PRC *HK$'000* | Hong Kong *HK$'000* | Sub-total *HK$'000* | *HK$'000* | Total *HK$'000* |
| Six months ended 30 June 2017 (Unaudited) | | | | | | | | | | | | | |
| Segment revenue | 185,646 | 91,612 | 239,128 | 156,896 | 25,202 | 136,139 | 2,398 | 837,021 | 7,548 | 47 | 7,595 | – | 844,616 |
| Inter-segment revenue | – | – | (207) | – | – | – | – | (207) | (133) | – | (133) | – | (340) |
| Revenue from external customers | 185,646 | 91,612 | 238,921 | 156,896 | 25,202 | 136,139 | 2,398 | 836,814 | 7,415 | 47 | 7,462 | – | 844,276 |
| Segment profit/(loss) before income tax | 22,688 | 10,715 | 10,953 | 12,994 | 2,162 | 17,258 | 378 | 77,148 | (1,639) | (616) | (2,255) | (2,721) | 72,172 |
| Share of profit of an associated company | | | | | | | | | | | | | 600 |
| Share of profit of a joint venture | | | | | | | | | | | | | 45 |
| Income tax expenses | | | | | | | | | | | | | (18,640) |
| Profit for the period | | | | | | | | | | | | | 54,177 |

| | Manufacturing and distribution business of amenity products | | | | | | | | Distribution and retail business of cosmetics and fashion accessories | | | Others | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | North America | Europe | The PRC | Hong Kong | Australia | Other Asia Pacific countries *(Note (i))* | Others *(Note (ii))* | Sub-total | The PRC | Hong Kong | Sub-total | | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Six months ended 30 June 2016 (Unaudited) | | | | | | | | | | | | | |
| Segment revenue | 186,609 | 85,203 | 215,572 | 118,311 | 24,888 | 120,270 | 2,724 | 753,577 | 18,293 | 71 | 18,364 | – | 771,941 |
| Inter-segment revenue | – | – | – | (1) | – | – | – | (1) | (142) | – | (142) | – | (143) |
| Revenue from external customers | 186,609 | 85,203 | 215,572 | 118,310 | 24,888 | 120,270 | 2,724 | 753,576 | 18,151 | 71 | 18,222 | – | 771,798 |
| Segment profit/(loss) before income tax | 25,580 | 7,176 | 12,157 | 9,828 | 1,222 | 12,687 | 290 | 68,940 | (12,785) | (1,274) | (14,059) | 1,578 | 56,459 |
| Fair value gains on investment properties | | | | | | | | | | | | | 55,413 |
| Share of profit of an associated company | | | | | | | | | | | | | 100 |
| Share of losses of joint ventures | | | | | | | | | | | | | (80) |
| Income tax expenses | | | | | | | | | | | | | (15,134) |
| Profit for the period | | | | | | | | | | | | | 96,758 |

| | **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 2017 (Unaudited)** | | | | | | | | | | | |
| **Total assets** | **861,377** | **696,208** | **1,153** | **49,740** | **1,608,478** | **55,798** | **1,822** | **57,620** | **102,319** | **(296,816)** | **1,471,601** |
| As at 31 December 2016 (Audited) | | | | | | | | | | | |
| Total assets | 895,131 | 818,990 | 1,558 | 54,872 | 1,770,551 | 56,532 | 1,796 | 58,328 | 113,851 | (288,735) | 1,653,995 |

*Notes:*

(i) Other Asia Pacific countries mainly include the Macau Special Administrative Region of the PRC, Japan, United Arab Emirates, Thailand, the Philippines, Malaysia, Singapore, Dubai and India.

(ii) Others mainly include South Africa and Morocco.

(iii) Other locations mainly include Singapore and India.

## 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** | |
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Changes in inventories | **466,413** | 411,191 |
| Auditor's remuneration | **1,650** | 1,650 |
| Amortisation of land use rights | **519** | 543 |
| Depreciation of property, plant and equipment | **18,396** | 17,333 |
| Amortisation of intangible assets | **821** | 621 |
| Operating lease rental in respect of buildings | **7,031** | 10,586 |
| (Reversal of provision)/provision for obsolete inventories | **(1,778)** | 1,311 |
| Direct written off for obsolete inventories | **1,016** | 1,446 |
| Provision for impairment of trade and bills receivables | **8,230** | 9,498 |
| Employee benefit expenses | **165,910** | 167,467 |
| Transportation expenses | **30,971** | 27,730 |
| Exchange (gain)/loss, net | **(11,066)** | 2,609 |
| Advertising costs | **6,423** | 6,166 |
| (Gain)/loss on disposal of property, plant and equipment | **(29)** | 14 |

## 5 OTHER INCOME

| | (Unaudited) | |
|---|---|---|
| | **Six months ended 30 June** | |
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Rental income | **341** | 3,812 |
| Income from sales of scrap materials | **585** | 636 |
| Others | **41** | 803 |
| | **967** | 5,251 |

## 6 INCOME TAX EXPENSES

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

| | (Unaudited) Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Current income tax: | | |
| — Hong Kong profits tax | **12,140** | 13,260 |
| — PRC enterprise income tax | **6,169** | 2,459 |
| — Singapore income tax | **409** | (716) |
| | **18,718** | 15,003 |
| Deferred income tax | **(78)** | 131 |
| | **18,640** | 15,134 |

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

Hong Kong profits tax, PRC enterprise income tax and Singapore income tax were calculated at 16.5% (for the six months ended 30 June 2016: 16.5%), 25% (for the six months ended 30 June 2016: 25%) and 17% (for the six months ended 30 June 2016: 17%), respectively on the estimated assessable profits for the six months ended 30 June 2017.

## 7 TRADE AND BILLS RECEIVABLES

| | **(Unaudited)** | (Audited) |
|---|---|---|
| | **30 June** | 31 December |
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **523,110** | 582,444 |
| Bills receivables | **2,975** | 2,466 |
| | **526,085** | 584,910 |
| Less: provision for impairment of receivables | **(61,429)** | (51,529) |
| Trade and bills receivables, net | **464,656** | 533,381 |

The ageing analysis of trade and bills receivables by invoice date is as follows:

| | **(Unaudited)**<br>**30 June**<br>**2017**<br>***HK$'000*** | (Audited)<br>31 December<br>2016<br>*HK$'000* |
|---|---|---|
| 1–30 days | **238,983** | 309,669 |
| 31–60 days | **102,770** | 99,866 |
| 61–90 days | **57,764** | 50,008 |
| 91–180 days | **55,108** | 59,525 |
| Over 180 days | **71,460** | 65,842 |
| | **526,085** | 584,910 |

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 was 90 days. The ageing analysis of amount is as follows:

| | **(Unaudited)**<br>**30 June**<br>**2017**<br>***HK$'000*** | (Audited)<br>31 December<br>2016<br>*HK$'000* |
|---|---|---|
| Current | **4,831** | 1,604 |
| 1–30 days | **1,304** | 604 |
| 31–60 days | **266** | 907 |
| 61–90 days | **971** | 312 |
| Over 90 days | **546** | 1,748 |
| | **7,918** | 5,175 |

## 9 CASH AND CASH EQUIVALENTS

| | (Unaudited) 30 June 2017 *HK$'000* | (Audited) 31 December 2016 *HK$'000* |
|---|---|---|
| Cash at banks and on hand | **273,851** | 253,601 |
| Short-term bank deposits (original maturities of less than three months) | **146,291** | 255,015 |
| | **420,142** | 508,616 |

The Group's cash and bank balances as at 30 June 2017 amounted to approximately HK$111,086,000 (31 December 2016: HK$86,936,000) and approximately HK$3,481,000 (31 December 2016: HK$1,184,000) (including short-term bank deposit of HK$74,000 (31 December 2016: HK$68,000)) are deposited with banks in the PRC and India respectively, where the remittance of funds is subject to foreign exchange control.

## 10 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

| | (Unaudited) 30 June 2017 *HK$'000* | (Audited) 31 December 2016 *HK$'000* |
|---|---|---|
| 1–30 days | **133,767** | 196,712 |
| 31–60 days | **10,413** | 2,258 |
| 61–90 days | **8,049** | 1,284 |
| Over 90 days | **3,911** | 8,641 |
| | **156,140** | 208,895 |

## 11 BORROWINGS

| | (Unaudited) 30 June 2017 *HK$'000* | (Audited) 31 December 2016 *HK$'000* |
|---|---|---|
| Bank borrowings, secured | | |
| Current | | |
| — With repayment on demand clause | **24,136** | 26,244 |

In September and October 2015, the Group obtained two HK$ denominated mortgage loans and certain banking facilities, which bore interest at the higher of 1.7% per annum over one month Hong Kong Inter-bank Offered Rate ("HIBOR") or the cost to the bank of funding the facilities, for acquiring certain properties in Hong Kong. These properties were pledged against the mortgage loans and certain banking facilities and included in property, plant and equipment in the condensed consolidated interim financial information of the Group, with net carrying value of HK$53,585,000 as at 30 June 2017 (31 December 2016: HK$54,733,000).

In October 2015, the Group obtained a HK$ denominated loan which bore interest at 1.7% per annum over one month HIBOR for its working capital. The banking facilities were secured by property, plant and equipment in the condensed consolidated interim financial information of the Group, with net carrying values of approximately HK$3,958,000 as at 30 June 2017 (31 December 2016: HK$4,076,000).

Other than the above mentioned, the Group also entered into banking facilities which were secured by land use rights and property, plant and equipment with net carrying values of approximately HK$1,770,000 (31 December 2016: HK$1,744,000) and HK$11,613,000 (31 December 2016: HK$12,240,000), respectively as at 30 June 2017.

Interest expenses on borrowings for the six months ended 30 June 2017 was approximately HK$325,000 (for the six months ended 30 June 2016: HK$489,000).

## 12 SHARE CAPITAL

| | **Number of issued shares** | **Issued share capital** |
|---|---|---|
| | | *HK$'000* |
| **At 1 January 2017** | **723,843,697** | **7,238** |
| Exercise of share options | **1,376,000** | **14** |
| **At 30 June 2017** | **725,219,697** | **7,252** |
| **At 1 January 2016** | 705,439,697 | 7,054 |
| Exercise of share options | 300,000 | 3 |
| **At 30 June 2016** | 705,739,697 | 7,057 |

## 13 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share attributable to owners of the Company is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

| | (Unaudited) Six months ended 30 June 2017 | 2016 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to owners of the Company (HK$'000) | **54,860** | 100,524 |
| Weighted average number of ordinary shares in issue (thousands) | **722,845** | 705,697 |
| Basic earnings per share attributable to owners of the Company (HK cents) | **7.6** | 14.2 |

**(b) Diluted**

Diluted earnings per share attributable to owners 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.

| | (Unaudited) Six months ended 30 June 2017 | 2016 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to owners of the Company (HK$'000) | **54,860** | 100,524 |
| **Weighted average number of ordinary shares in issue (thousands)** | **722,845** | 705,697 |
| Adjustments for: | | |
| — Share options (thousands) | **6,346** | 7,647 |
| **Weighted average number of ordinary shares for diluted earnings per share (thousands)** | **729,191** | 713,344 |
| Diluted earnings per share attributable to owners of the Company (HK cents) | **7.5** | 14.1 |

## 14 DIVIDENDS

On 25 May 2017, a final dividend of HK4.0 cents per share for the year ended 31 December 2016 was approved by the Company's shareholders. Such dividend in total of approximately HK$29,005,000, including dividend to the shares held under the Scheme, was paid out during the six months ended 30 June 2017.

The Board has resolved to pay an interim dividend of HK2.0 cents per share, amounting to a total dividend of approximately HK$14,531,000, in respect of the six months ended 30 June 2017 (for the six months ended 30 June 2016: HK2.0 cents per share, amounting to a total dividend of approximately HK$14,200,000).

## 15 CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

As at 30 June 2017, the capital commitments contracted but not provided for in the condensed consolidated interim financial information of the Group were HK$6,418,000 (31 December 2016: HK$4,317,000).

As at 30 June 2017, the operating lease commitments of the Group were HK$21,430,000 (31 December 2016: HK$20,659,000).

## 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 | | |
|---|---|---|---|
| | **2017** | 2016 | Change |
| | ***HK$ million*** | *HK$ million* | in % |
| Revenue | **844.3** | 771.8 | 9.4% |
| Gross profit | **211.7** | 204.8 | 3.4% |
| Profit attributable to owners of the Company | **54.9** | 100.5 | (45.4%) |
| Net asset value as at 30 June 2017 and 31 December 2016 | **1,006.1** | 975.0 | 3.2% |
| Basic earnings per share attributable to owners of the Company (HK cents) | **7.6** | 14.2 | (46.5%) |
| Diluted earnings per share attributable to owners of the Company (HK cents) | **7.5** | 14.1 | (46.8%) |
| Dividend per share (HK cents) | **2.0** | 2.0 | — |

For the six months ended 30 June 2017, the Group's total revenue recorded a growth of 9.4% to approximately HK$844.3 million compared with HK$771.8 million in the corresponding period of the prior year. Profit attributable to owners of the Company for the six months ended 30 June 2017 decreased by 45.4% to HK$54.9 million from HK$100.5 million in the corresponding period of the prior year.

Basic earnings per share attributable to owners of the Company for the six months ended 30 June 2017 was HK7.6 cents (for the six months ended 30 June 2016: HK14.2 cents).

The overall gross profit margin for the period under review descended by 1.4 percentage points to 25.1% from 26.5% in the corresponding period of the prior year.

The consolidated net asset value increased to HK$1,006.1 million as at 30 June 2017 from HK$975.0 million as at 31 December 2016.

The Board has resolved to propose an interim dividend of HK2.0 cents per share for the six months ended 30 June 2017 (for the six months ended 30 June 2016: HK2.0 cents per share).

## BUSINESS REVIEW

Global economy is going through a cyclical recovery and gaining firmer footing in the first half of 2017. The World Bank forecasts that global economic growth will advance to 2.7% in 2017 due to a pickup in manufacturing and trade, rising market confidence and stabilising commodity prices. As the second largest economy, China recorded a Gross Domestic Product ("GDP") growth rate of 6.9% in the first half of 2017.

The total revenue of the Group increased by 9.4% to HK$844.3 million during the first six months ended 30 June 2017 (for the six months ended 30 June 2016: HK$771.8 million) due to promising performances in several major regions of the Group's business. As the key contributor to the revenue of the Group, the hospitality supplies business recorded a relative satisfactory performance especially in the PRC and Hong Kong which were fueled by China's economic recovery and the Group's market gains from high and mid-level hotels.

The gross profit increased by 3.4% to HK$211.7 million (2016: HK$204.8 million), with the gross profit margin retreated by 1.4 percentage points to 25.1% (for the six months ended 30 June 2016: 26.5%). The decrease in gross profit margin was mainly attributable to the intensive competition in hospitality sector and the Group's relatively aggressive price strategy. With the hospitality supplies market gradually being saturated, the Group strategically adjusted some products' prices to maintain market share and enhance customers' loyalty. Profit attributable to owners of the Company for the first half of 2017 recorded HK$54.9 million (for the six months ended 30 June 2016: HK$100.5 million).

**Hospitality Supplies Business**

According to the latest UN World Tourism Organization ("UNWTO") World Tourism Barometer, international tourist arrivals worldwide grew by 6% during the first four months of 2017 compared to the same period last year, with business confidence reaching its highest levels in a decade. International arrivals in Asia and the Pacific were up 6% through April while international arrivals in the North America grew by 3%.

The revenue of the Group's hospitality segment stood at HK$836.8 million, representing an increase of 11.0% when compared to the same period in 2016 (for the six months ended 30 June 2016: HK$753.6 million). This was mainly attributable to the remarkable contribution from the distinguished performance in the PRC and Hong Kong regions. The gross profit of the hospitality supplies business achieved HK$207.4 million, representing a 4.1% increase when compared to the same period last year (for the six months ended 30 June 2016: HK$199.2 million). The gross profit margin of the segment maintained stable with a slight fluctuation of 1.6 percentage points to 24.8% (for the six months ended 30 June 2016: 26.4%). This was mainly attributable to the intensive competition among global hospitality supplies sector, as well as a more aggressive pricing strategy adopted by the Group to attract more customers and create additional sales.

Cultivated since the second half of 2014, the Operating Supplies and Equipment ("OS&E") business continued its significant expansion by achieving a double-digit growth of 38.6% in revenue in the first six months of 2017 compared with corresponding period of the prior year. Though accounting for a small proportion of the hospitality segment, OS&E expanded its clientele base among high and mid-level hotels with a relatively swift pace for the period under review. The global economic recovery also boosted the travel sentiment which resulted in an incremental trend of demand for the Group's OS&E business.

Breaking things down, revenue from the PRC and Hong Kong, which altogether remains the Group's key focus market, increased by 10.8% and 32.6% respectively to HK$238.9 million and HK$156.9 million for the six months ended 30 June 2017 (for the six months ended 30 June 2016: HK$215.6 million and HK$118.3 million respectively). Revenues of these two regions accounted for 28.6% and 18.7% of the total hospitality supplies business respectively. This tremendously benefited from the economic recovery in the PRC which led to increasing disposable incomes and spending power during China inbound travel.

North America, positioned as the second largest region of the Group's hospitality supplies business, recorded a revenue of HK$185.6 million for the six months ended 30 June 2017 and comprised 22.2% of the segment revenue, indicating a slight retreat of 0.5% when compared to the same period in the prior year (for the six months ended 30 June 2016: HK$186.6 million). This region was impacted by the dwindled travel sentiment after the U.S. new administration escalated uncertainty in political and economic policies.

Although the prevailing concerns over Europe safety after several terror attacks, the revenue from Europe registered HK$91.6 million for the period under review, indicating an increase of 7.5% from HK$85.2 million for the six months ended 30 June 2016 and comprising 10.9% of the hospitality segment revenue due to the utmost effort to secure the customers' orders.

Regarding other Asia Pacific and Australia markets, the total revenue of these two geographical regions recorded HK$161.3 million for the six months ended 30 June 2017 which altogether comprised 19.3% of the segment revenue, with a 11.1% growth rate when compared to the same period in the prior year.

**Retail business**

During the first six months of 2017, the PRC retail market still struggled along due to the booming online sales. Younger generation ("Generation Z") in the PRC tremendously shifted their consuming priorities from offline to online. According to China's National Bureau of Statistics, China's online sales surged 33.4% year-on-year in the first half of 2017, indicating 1.3 percentage points higher than the first quarter.

As a result, the Group implemented cost control strategies, such as controlling expenditure on marketing and promotion and managing related manpower, which contributes a further narrowed down of loss, comparing to previous financial period. The Group's self-labeled brand "everybody Labo" managed to operate at a modest growth pace after cautious assessment and execution by the Group.

The Group's retail business recorded a revenue of HK$7.5 million for the six months ended 30 June 2017 (for the six months ended 30 June 2016: HK$18.2 million). The number of the PRC retail chain outlets was 187 as at 30 June 2017 (as at 31 December 2016: 387).

## PROSPECTS

According to International Monetary Fund, global growth for 2017 is estimated at 3.5%. China's growth is anticipated to reach 6.7% in 2017, the same level as 2016. According to UNWTO Panel of Tourism Experts confidence index, experts show strong confidence from May to August this year which includes the peak tourism season. This is partially driven by upbeat expectations in Europe.

Looking ahead, management of the Group maintains a positive stance towards the business conditions of the second half year of 2017. "Synchronous recovery" has become the new talk globally. Travel market is expected to maintain flourishing growth and the Group's PRC and Hong Kong business are poised to reap the benefit. However, the uncertainty from U.S. new administration and Europe economy is likely to cast certain impact on these regions.

The Group will continue to weighing on its core hospitality business which is the dominant catalyst in terms of revenue contribution. In spite of the existing product line in Shenzhen, Guangdong, the PRC, the Group also eyes more product lines in other destinations in Asia to compliment product scenarios and enhance productivity. The Group will pour ceaseless effort to guarantee products' diversity, versatility and quality. The OS&E business is also expected to develop a more extensive clientele base to serve the swelling numbers of international travelers in the second half of 2017.

Given the bustling world of e-commerce, the Group will continue executing cost control strategies and keep exploring ways to contribute a better financial performance of the retail business. While managing existing franchisees and inventory levels of cosmetics and fashion accessories, the Group will alleviate more resources to hospitality services.

In all, the Group will continue its strategic adjustment through employing more focus on the hospitality supplies business while allocating retail business resources on a moderate strategy to ultimately create sustainable growth momentum as a whole.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's cash and cash equivalents amounted to HK$420.1 million (31 December 2016: HK$508.6 million).

In September and October 2015, the Group obtained two HK$ denominated mortgage loans and certain banking facilities, which bore interest at the higher of 1.7% per annum over one-month HIBOR or the cost to the bank of funding the facilities, for acquiring certain properties in Hong Kong. These properties were pledged against the mortgage loans and certain banking facilities and included in property, plant and equipment in the interim condensed consolidated financial information of the Group, with net carrying value of approximately HK$53.6 million as at 30 June 2017 (31 December 2016: approximately HK$54.7 million). As at 30 June 2017, the outstanding borrowings of these mortgage loan and facilities amounted to approximately HK$17.4 million (31 December 2016: approximately HK$18.5 million).

In October 2015, the Group obtained a HK$ denominated loan which bore interest at 1.7% per annum over one-month HIBOR for its working capital. The banking facilities were secured by property, plant and equipment in the interim condensed consolidated financial information of the Group, with net carrying values of approximately HK$4.0 million as at 30 June 2017 (31 December 2016: approximately HK$4.1 million). As at 30 June 2017, the outstanding borrowing of this facility amounted to approximately HK$6.7 million (31 December 2016: approximately HK$7.7 million).

Details of the borrowings are set out in Note 11 to the condensed consolidated interim financial information.

The gearing ratio as at 30 June 2017, calculated on the basis of borrowings over total equity, was 2.4% as compared to 2.7% as at 31 December 2016.

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 2017, certain subsidiaries of the Company pledged assets with aggregate carrying value of approximately HK$57.6 million (31 December 2016: approximately HK$58.8 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 15 to the condensed consolidated interim financial information. The Group has no material contingent liabilities as at 30 June 2017.

## EMPLOYEES

As at 30 June 2017, the total number of employees of the Group was approximately 3,800 and the employee benefit expenses including directors' emoluments were approximately HK$165.9 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 with a view to constantly upgrading their skills and knowledge.

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company, except that the trustee of the Scheme, pursuant to the terms of the rules and trust deed of the Scheme, purchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a total of 1,010,000 shares of the Company at a total consideration of approximately HK$1.1 million.

## CORPORATE GOVERNANCE CODE

The Group has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") during the six months ended 30 June 2017 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except the deviation of code provision A.2.1 of the CG Code that the Board has not appointed an individual to the post of chief executive officer up to the date of this announcement and the role of the chief executive officer has been performed collectively by all the executive directors of the Company, including the Chairman of the Company. The Board considers that this arrangement allows contributions from all executive directors of the Company 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 of the Company 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 2017.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions on 5 October 2007. Having made specific enquiries to all directors of the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2017.

## 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 2017 to shareholders whose names appear on the register of members of the Company on Monday, 25 September 2017. It is expected that the interim dividend will be paid on or around Friday, 6 October 2017.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 22 September 2017 to Monday, 25 September 2017 (both dates inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the interim dividend, all documents in respect of 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 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 21 September 2017.

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

Hong Kong, 29 August 2017

*As at the date of this announcement, the executive directors of the Company 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 of the Company is Ms. CHAN Yim Ching; and the independent non-executive directors of the Company are Mr. HUNG Kam Hung Allan, Mr. MA Chun Fung Horace, Mr. NG Bo Kwong and Mr. SUN Yung Tson Eric.*