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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3828)

2014 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 2014 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)	
		Six months ended 30 June	
		2014	2013
	Note	HK\$'000	HK\$'000
Revenue	3	767,391	815,780
Cost of sales	4	<u>(574,377)</u>	<u>(613,180)</u>
Gross profit		193,014	202,600
Distribution costs	4	(89,674)	(94,296)
Administrative expenses	4	(57,124)	(52,932)
Other income	5	<u>3,904</u>	<u>4,844</u>
Operating profit		50,120	60,216
Finance income		729	920
Finance costs		(208)	(450)
Share of (loss)/profit of an associated company		(11)	100
Share of losses of joint ventures		<u>(155)</u>	<u>—</u>
Profit before income tax		50,475	60,786
Income tax expenses	6	<u>(11,880)</u>	<u>(15,978)</u>
Profit for the period		<u>38,595</u>	<u>44,808</u>

		(Unaudited)	
		Six months ended 30 June	
		2014	2013
	Note	HK\$'000	HK\$'000
Other comprehensive (loss)/income, net of tax			
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(14,947)	9,744
Realisation of exchange reserve upon disposal of a subsidiary		<u>(78)</u>	<u>–</u>
Total comprehensive income for the period		<u>23,570</u>	<u>54,552</u>
Profit/(loss) for the period attributable to:			
Equity holders of the Company		41,125	45,762
Non-controlling interests		<u>(2,530)</u>	<u>(954)</u>
		<u>38,595</u>	<u>44,808</u>
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the Company		26,104	55,502
Non-controlling interests		<u>(2,534)</u>	<u>(950)</u>
		<u>23,570</u>	<u>54,552</u>
Earnings per share attributable to equity holders of the Company (HK cents)			
Basic	14	5.9	6.6
Diluted	14	<u>5.8</u>	<u>6.5</u>
Proposed interim dividend per share (HK cents)	15	<u>1.5</u>	<u>1.5</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 June 2014	(Audited) 31 December 2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Goodwill		346,138	355,135
Land use rights		18,556	17,834
Property, plant and equipment		211,761	217,418
Investment properties		206,922	207,180
Intangible assets		14,539	16,322
Long-term prepayments		17,220	19,091
Investment in an associated company		740	751
Investments in joint ventures		876	1,031
Deferred income tax assets		<u>8,104</u>	<u>8,433</u>
Total non-current assets		<u>824,856</u>	<u>843,195</u>
Current assets			
Inventories		180,323	190,456
Trade and bills receivables	7	388,609	415,761
Amount due from an associated company	8	3,459	3,146
Amounts due from joint ventures		30	30
Prepaid tax		381	381
Deposits, prepayments and other receivables		62,262	63,688
Restricted cash	9	37,395	38,367
Cash and cash equivalents	10	<u>346,688</u>	<u>343,800</u>
Total current assets		<u>1,019,147</u>	<u>1,055,629</u>
Total assets		<u>1,844,003</u>	<u>1,898,824</u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	13	6,978	6,977
Share premium	13	590,996	590,935
Other reserves		689,348	673,664
Proposed interim/final dividend	15	<u>10,467</u>	<u>13,954</u>
		<u>1,297,789</u>	<u>1,285,530</u>
Non-controlling interests		<u>(12,989)</u>	<u>(12,662)</u>
Total equity		<u>1,284,800</u>	<u>1,272,868</u>

		(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	12	29,213	32,444
Deferred income tax liabilities		<u>5,704</u>	<u>5,912</u>
Total non-current liabilities		<u>34,917</u>	<u>38,356</u>
Current liabilities			
Current portion of long-term bank borrowings	12	6,444	6,413
Trade payables	11	197,938	233,215
Accruals and other payables		277,288	300,194
Current income tax liabilities		34,392	41,229
Loans from non-controlling interests		8,187	6,521
Dividends payable		<u>37</u>	<u>28</u>
Total current liabilities		<u>524,286</u>	<u>587,600</u>
Total liabilities		<u>559,203</u>	<u>625,956</u>
Total equity and liabilities		<u>1,844,003</u>	<u>1,898,824</u>
Net current assets		<u>494,861</u>	<u>468,029</u>
Total assets less current liabilities		<u>1,319,717</u>	<u>1,311,224</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				
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 owners, recognised directly in equity:								
Exercise of share options <i>(Note 13)</i>	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 owners, recognised directly in equity	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		

**Attributable to equity holders
of the Company (Unaudited)**

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2014	<u>6,977</u>	<u>590,935</u>	<u>687,618</u>	<u>1,285,530</u>	<u>(12,662)</u>	<u>1,272,868</u>
Total comprehensive income/ (loss) for the period ended 30 June 2014	<u>-</u>	<u>-</u>	<u>26,104</u>	<u>26,104</u>	<u>(2,534)</u>	<u>23,570</u>
Transactions with owners, recognised directly in equity:						
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	<u>-</u>	<u>-</u>	<u>(13,955)</u>	<u>(13,955)</u>	<u>-</u>	<u>(13,955)</u>
Total transactions with owners, recognised directly in equity	<u>1</u>	<u>61</u>	<u>(13,907)</u>	<u>(13,845)</u>	<u>2,207</u>	<u>(11,638)</u>
Balance at 30 June 2014	<u><u>6,978</u></u>	<u><u>590,996</u></u>	<u><u>699,815</u></u>	<u><u>1,297,789</u></u>	<u><u>(12,989)</u></u>	<u><u>1,284,800</u></u>
Representing:						
Share capital, share premium and other reserves						1,287,322
Proposed interim dividend <i>(Note 15)</i>						<u>10,467</u>
						1,297,789
Non-controlling interests						<u>(12,989)</u>
Balance at 30 June 2014						<u><u>1,284,800</u></u>

NOTES:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, 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

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

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 new and amended standards to existing HKFRS that are effective for the Group’s accounting year commencing 1 January 2014 that could be expected to have a material impact on the Group.

New and amended standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

HKFRS 9 ‘Financial instruments’ addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9’s full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 when it is fully completed.

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would 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") 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, share of loss 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			
	North America		Europe	The PRC	Hong Kong	Australia	Other Asia Pacific countries	Others	Sub-total		The PRC	Hong Kong	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(Note(i)) HK\$'000	(Note(ii)) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2014 (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)	
Profit for the period													<u>38,595</u>	

	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	Others	Sub-total HK\$'000	The PRC HK\$'000	Hong Kong HK\$'000	Sub-total HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
						(Note (i)) HK\$'000	(Note (ii)) 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 expenses													(15,978)
Profit for the period													<u>44,808</u>

	Manufacturing and distribution business of amenity products					Distribution and retail business of cosmetics and fashion accessories			Others		Inter-segment elimination HK\$'000	Total HK\$'000
	The PRC HK\$'000	Hong Kong HK\$'000	Australia HK\$'000	Other locations	Sub-total HK\$'000	The PRC HK\$'000	Hong Kong HK\$'000	Sub-total HK\$'000	Others HK\$'000			
				(Note (iii)) HK\$'000								
As at 30 June 2014 (Unaudited)												
Total assets	<u>775,384</u>	<u>564,969</u>	<u>1,608</u>	<u>30,435</u>	<u>1,372,396</u>	<u>457,245</u>	<u>3,664</u>	<u>460,909</u>	<u>284,313</u>	<u>(273,615)</u>	<u>1,844,003</u>	
As at 31 December 2013 (Audited)												
Total assets	<u>751,475</u>	<u>605,467</u>	<u>973</u>	<u>29,583</u>	<u>1,387,498</u>	<u>479,844</u>	<u>4,822</u>	<u>484,666</u>	<u>298,813</u>	<u>(272,153)</u>	<u>1,898,824</u>	

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	
	2014	2013
	HK\$'000	HK\$'000
Changes in inventories	410,575	439,587
Auditor's remuneration	1,650	1,000
Amortisation of land use rights	235	228
Depreciation of property, plant and equipment	17,429	18,524
Amortisation of intangible assets	1,535	1,728
Operating lease rental in respect of buildings	11,074	8,168
Provision for obsolete inventories	247	31
Provision for impairment of trade and bills receivables	1,700	2,369
Employee benefit expenses	160,783	163,176
Transportation expenses	24,267	25,613
Exchange loss/(gain), net	4,472	(1,671)
Advertising costs	15,079	19,848

5 OTHER INCOME

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Income from sales of scrap materials	896	990
Rental income	2,374	2,372
Others	634	1,482

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	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	11,879	11,225
– PRC enterprise income tax	(279)	4,720
– Singapore income tax	<u>230</u>	<u>251</u>
	11,830	16,196
Deferred income tax	<u>50</u>	<u>(218)</u>
	<u><u>11,880</u></u>	<u><u>15,978</u></u>

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

Hong Kong and PRC profits tax are calculated at 16.5% (for the six months ended 30 June 2013: 16.5%) and 25% (for the six months ended 30 June 2013: 25%), respectively on the estimated assessable profits for the six months ended 30 June 2014.

Corporate tax in Singapore has been provided at the rate of 17% (for the six months ended 30 June 2013: 17%) on the estimated assessable profit for the six months ended 30 June 2014.

7 TRADE AND BILLS RECEIVABLES

	(Unaudited)	(Audited)
	30 June	31 December
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	403,617	430,306
Bills receivables	6,031	5,797
Receivable from a non-controlling interest	<u>–</u>	<u>229</u>
	409,648	436,332
Less: provision for impairment of receivables	<u>(21,039)</u>	<u>(20,571)</u>
Trade and bills receivables, net	<u><u>388,609</u></u>	<u><u>415,761</u></u>

Ageing analysis of the gross trade and bills receivables as at 30 June 2014 and 31 December 2013 is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	219,788	239,943
1 – 30 days	59,152	77,575
31 – 60 days	37,151	40,016
61 – 90 days	17,208	26,131
91 – 180 days	36,581	24,774
Over 180 days	<u>39,768</u>	<u>27,893</u>
	<u>409,648</u>	<u>436,332</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)	(Audited)
	30 June	31 December
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	1,102	878
1 – 30 days	540	304
31 – 60 days	39	395
61 – 90 days	374	438
Over 90 days	<u>1,404</u>	<u>1,131</u>
	<u>3,459</u>	<u>3,146</u>

9 RESTRICTED CASH

	(Unaudited)	(Audited)
	30 June	31 December
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Restricted cash, denominated in:		
– Renminbi (“RMB”)	<u>37,395</u>	<u>38,367</u>

As at 30 June 2014, the restricted cash of RMB30,000,000 (equivalent to approximately HK\$37,395,000) (31 December 2013: approximately HK\$38,367,000) 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)	(Audited)
	30 June	31 December
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at banks and on hand	214,610	236,010
Short-term bank deposits	<u>132,078</u>	<u>107,790</u>
	<u>346,688</u>	<u>343,800</u>

The Group’s cash and bank balances amounted to approximately HK\$156,123,000 (31 December 2013: HK\$124,945,000) 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 2014 <i>HK\$'000</i>	(Audited) 31 December 2013 <i>HK\$'000</i>
Current	135,826	170,421
1 – 30 days	46,759	49,034
31 – 60 days	5,981	5,168
61 – 90 days	3,602	3,146
Over 90 days	<u>5,770</u>	<u>5,446</u>
	<u><u>197,938</u></u>	<u><u>233,215</u></u>

12 BORROWINGS

	(Unaudited) 30 June 2014 <i>HK\$'000</i>	(Audited) 31 December 2013 <i>HK\$'000</i>
Long-term borrowings		
– Non-current portion	29,213	32,444
– Current portion	<u>6,444</u>	<u>6,413</u>
	<u><u>35,657</u></u>	<u><u>38,857</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 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 2014 (31 December 2013: HK\$197,000,000).

Interest expenses on borrowings for the six months ended 30 June 2014 was approximately HK\$208,000 (for the six months ended 30 June 2013: approximately HK\$450,000).

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2013	696,807,697	6,968	590,413	597,381
Exercise of share options	<u>694,000</u>	<u>7</u>	<u>423</u>	<u>430</u>
Balance at 30 June 2013	<u>697,501,697</u>	<u>6,975</u>	<u>590,836</u>	<u>597,811</u>
Balance at 1 January 2014	697,663,697	6,977	590,935	597,912
Exercise of share options	<u>100,000</u>	<u>1</u>	<u>61</u>	<u>62</u>
Balance at 30 June 2014	<u>697,763,697</u>	<u>6,978</u>	<u>590,996</u>	<u>597,974</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	
	2014	2013
Earnings		
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>41,125</u>	<u>45,762</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>697,707</u>	<u>697,243</u>
Basic earnings per share attributable to equity holders of the Company (<i>HK cents</i>)	<u>5.9</u>	<u>6.6</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 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	
	2014	2013
Earnings		
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>41,125</u>	<u>45,762</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)		
	697,707	697,243
Adjustments for:		
– Share options (<i>thousands</i>)	<u>7,367</u>	<u>12,034</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)		
	<u>705,074</u>	<u>709,277</u>
Diluted earnings per share attributable to equity holders of the Company (<i>HK cents</i>)	<u>5.8</u>	<u>6.5</u>

15 DIVIDENDS

On 22 May 2014, a final dividend of HK2.0 cents per share for the year ended 31 December 2013, amounting to a total dividend of approximately HK\$13,955,000, 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\$10,467,000, in respect of the six months ended 30 June 2014 (for the six months ended 30 June 2013: HK1.5 cents per share, amounting to a total dividend of approximately HK\$10,463,000).

16 CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

As at 30 June 2014, the capital commitments contracted for but not provided for in the condensed consolidated interim financial information of the Group were HK\$5,408,000 (31 December 2013: HK\$12,559,000).

As at 30 June 2014, the operating lease commitments of the Group were HK\$41,233,000 (31 December 2013: HK\$46,204,000).

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 Group has lodged formal appeal against the judgement and the first court of hearing was held in the Supreme People’s Court in Beijing in June 2014. Based on legal opinion, the Directors consider no additional provision necessary as at 30 June 2014.

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 %
	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>	
Revenue	767.4	815.8	(5.9%)
Gross profit	193.0	202.6	(4.7%)
Profit attributable to equity holders of the Company	41.1	45.8	(10.3%)
Net asset value as at 30 June 2014 and 31 December 2013	1,284.8	1,272.9	0.9%
Basic earnings per share attributable to equity holders of the Company (<i>HK cents</i>)	5.9	6.6	(10.6%)
Diluted earnings per share attributable to equity holders of the Company (<i>HK cents</i>)	5.8	6.5	(10.8%)
Dividend per share (<i>HK cents</i>)	1.5	1.5	–

The Group's total consolidated revenue for the six months ended 30 June 2014 decreased by 5.9% to HK\$767.4 million from HK\$815.8 million for the six months ended 30 June 2013. Profit attributable to equity holders of the Company for period under review decreased by 10.3% to HK\$41.1 million from HK\$45.8 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 2014 was HK5.9 cents (for the six months ended 30 June 2013: HK6.6 cents).

The overall gross profit margin for the period under review increased to 25.2% from 24.8% for the six months ended 30 June 2014, which was brought about by the Group's continuous exertion in cost savings.

The consolidated net asset value increased to HK\$1,284.8 million as at 30 June 2014 from HK\$1,272.9 million as at 31 December 2013.

The Board has resolved to pay an interim dividend of HK1.5 cents per share for the six months ended 30 June 2014 (for the six months ended 30 June 2013: HK1.5 cents per share).

BUSINESS REVIEW

The global economy remained volatile in the first half of 2014. Global recovery continues at an uneven pace and downside risks remain. The World Bank reported that the global economy experienced a jolty start this year affected by the poor market condition in the United States (“US”), financial market turbulence as well as the conflicts in Ukraine. According to the report, the performance of the US economy is worse than expected during the first three months of this year, recording a 1% contraction compared to previous estimates. The gross domestic product (“GDP”) in the Eurozone increased only slightly during the first quarter of 2014. For China, its economic development maintained a steady pace for the first half year of 2014. The Group’s consolidated total revenue decreased to HK\$767.4 million for the first half of 2014 (for the six months ended 30 June 2013: HK\$815.8 million). Though impacted by the global economic climate, during the period under review, both business segments of the Group – hospitality supplies business and the retail business – recorded steady performances due to the Group’s efforts.

The hospitality supplies business (the Group’s core business including manufacturing and distribution of amenity products and other related business) remains the key contributor to the overall financial performance, whereas the stagnant performance of our retail business impacts the Group’s total profit. Notwithstanding the closing of the laundry business in June 2014, for the first half of 2014, profit attributable to equity holders of the Company was HK\$41.1 million, down 10.3% from HK\$45.8 million for the same period last year.

Hospitality Supplies Business

According to the latest UNWTO World Tourism Barometer, global tourism maintained its momentum during the first four months in 2014. Approximately 317 million international tourist visits were recorded during these four months, 14 million higher compared to the same period in 2013. Asia Pacific areas as well as the Americas registered the strongest growth in the first four months this year with an increase of 6% in the number of international tourist. The prospects for international travelling remains positive for May to August 2014 and number of international tourist is expected to rise by 4% to 4.5%. This ascending trend in the tourist industry brings corresponding demand in hotel accommodation and relevant hotel amenities products.

For the six months ended 30 June 2014, as benefitted from the stable growth of global tourism, the Group’s hospitality supplies business remained strong. It contributed 93.1% of the Group’s total turnover with reported turnover of HK\$714.3 million (for the six months ended 30 June 2013: HK\$737.9 million). Greater China (including the PRC and Hong Kong) remained the largest contributor to the Group’s turnover. Riding on the upward trend in the industry, the Group strives to introduce new clients in the Greater China area, leading to an enlarged proportion of sales for Greater China representing 42.4% of the Group’s revenue generated from the hospitality supplies business. The Group’s North America and Europe market presented a drop during the period under review, dropping to 39.8% of the Group’s revenue generated in this hotel amenities segment. Nevertheless, capitalising on the enduring cooperation with large international hotel brands as well as the Group’s expansion in the PRC market, orders from newly developed clients

in the PRC counterbalanced the decrease in North America and Europe which helped to secure a solid financial performance for this segment during the period. Other Asia Pacific countries (excluding Australia) and Australia sustained their share and accounted for 14.7% and 2.7%, respectively, of the overall hospitality supplies business. Preserving its policy of streamlining costs and optimizing its management, the profit attributable to the shareholders for the first half of 2014 is HK\$41.1 million (for the six months ended 30 June 2013: HK\$45.8 million), representing a decrease of 10.3%.

The Group has terminated its laundry segment business at the end of June 2014. This segment recorded a loss of HK\$8.4 million during the review period. The Group believes that the loss will not be continued in the second half of this year following the cessation of its operation.

Retail Business

The slowdown of China's economy can be shown from the retardation in its GDP, which in turn directly impacts the domestic consumption, which was further dampened by the domino effect from the slowdown in investment and individual revenue growth. In the midst of this trend, the Group's retail business in the PRC recorded a decrease in turnover of HK\$44.2 million in the first half of 2014, showing a 35.1% dip from the same period in 2013. With the ever-rising operating cost, not only the retailers, the distributors also endeavor to fight against the challenging business environment. The soar of online and mobile commerce also significantly affect the traditional retail businesses.

Besides, the trademark litigation in the PRC, in which the Group was first judged to pay RMB30.0 million (equivalent to approximately HK\$37.4 million) compensation for the alleged trademark infringement, affected our retail business. The Group has commenced the appeal proceedings to the Supreme People's Court of the PRC and is confident of defending its rights and interests with all necessary actions. Taking a prudent strategy, in the review period, the Group cut the number of our PRC retail chain outlets from 1,347 (as at 31 December 2013) to 1,110 (as at 30 June 2014).

With the slackening economy in the PRC, together with the escalating anti-mainland sentiments, the Group's own-label body care brand – “everyBody Labo” – is facing an arduous environment during the period under review, recording a segment loss of HK\$4.7 million (for the six months ended 30 June 2013: loss of HK\$1.6 million). Nevertheless, taking advantages of the strong networks of Mannings, Harvey Nichols Hong Kong, CitySuper outlets and V City in Hong Kong, the brand awareness has been developing in a stabile pace and we are aiming at further promoting the brand into the PRC market. With the Group's constant effort, the brand has already entered into the Chengdu, Nanjing and Suzhou markets.

PROSPECTS

It is believed that the global economy will maintain its forward momentum and should continue to show a moderate improvement in the second half of 2014. Meanwhile, the World Bank lowered its 2014 global growth forecast amid the weaker prospects for the US and China. Besides, the strict implementation of anti-bribery policy in the PRC has been affecting the high-end hotels, which are among the target customers of the Group. The whole hotel industry is in a faltering environment, pushing the market players to change. Thus, we maintain a conservative view on the overall business prospects for the rest of the year.

In view of such difficult situation, the Group seeks to go with the industry stream and, at the same time, holds to explore new market opportunities with a view to diversify the risks. In addition to existing hotel amenities products, the Group has decided to extend its business by developing sourcing full range of hospitality products for hotels, which in turn provides an opportunity to widen our customer base. Meanwhile, we remained committed in perfecting our management to continue our cost-efficient policy, improving our standardized procedures and automation, as well as re-structuring our products for the purpose of adapting to the industry transformation. Leveraging on the synergy of our hotel amenities business and our sourcing network, the Company is confident of providing comprehensive supply services to the hospitality industry in order to improve the Group's overall competitiveness.

In addition, the Group will continue to develop its retail business step by step by seeking new approaches to refine the value of this business segment. We will also grasp the market opportunities, putting more effort into developing the "everybody Labo" brand, especially in increasing its market share and enhancing brand recognition in China.

Looking ahead, the Group is well prepared to handle the predicament encountered by the industry by keeping enhancing its hospitality supplies business, enriching its product mix as well as further expanding into the China market for its own-label brand. Prioritizing the shareholder's interests is always our goal and the Group is determined to achieve consistent margins with an aim of maximizing shareholders' returns.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group's cash and cash equivalents amounted to HK\$346.7 million (31 December 2013: HK\$343.8 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 2014, the outstanding borrowing of this facility amounted to HK\$35.7 million (31 December 2013: HK\$38.9 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 2014, calculated on the basis of borrowings over total equity attributable to the equity holders of the Company, was 2.8% as compared to 3.1% as at 31 December 2013.

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 2014, a subsidiary of the Company pledged assets with aggregate carrying value of HK\$197.0 million (31 December 2013: HK\$197.0 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 2014.

EMPLOYEES

As at 30 June 2014, the total number of employees of the Group was approximately 4,200 and the employee benefit expenses was approximately HK\$160.8 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 2014, 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 2014 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 2014.

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 2014.

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 2014 to shareholders whose names appear on the register of members of the Company on 29 September 2014. It is expected that the interim dividend will be paid on or around 10 October 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 24 September 2014 to Monday, 29 September 2014 (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 2014.

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

Hong Kong, 28 August 2014

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; 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*