



明輝國際控股有限公司\*

Ming Fai International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3828)



# Interim 14 Report 2014

\* For identification purpose only

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# Corporate Information

## BOARD OF DIRECTORS

### *Executive Directors:*

CHING Chi Fai (*Chairman*)  
CHING Chi Keung  
LIU Zigang  
CHAN Yim Ching  
CHING Tsun Wah (appointed on 1 September 2014)  
KEUNG Kwok Hung (appointed on 1 September 2014)

### *Non-executive Director:*

LEE King Hay (re-designated from executive Director to non-executive Director on 1 September 2014)

### *Independent non-executive Directors:*

SUN Kai Lit Cliff *BBS, JP*  
HUNG Kam Hung Allan  
MA Chun Fung Horace  
NG Bo Kwong

## AUDIT COMMITTEE

MA Chun Fung Horace (*Chairman*)  
SUN Kai Lit Cliff *BBS, JP*  
HUNG Kam Hung Allan  
NG Bo Kwong

## REMUNERATION COMMITTEE

HUNG Kam Hung Allan (*Chairman*)  
CHING Chi Fai  
MA Chun Fung Horace  
SUN Kai Lit Cliff *BBS, JP*  
NG Bo Kwong

## EXECUTIVE COMMITTEE

CHING Chi Fai (*Chairman*)  
CHING Chi Keung  
LIU Zigang  
CHAN Yim Ching  
CHING Tsun Wah (appointed on 1 September 2014)  
KEUNG Kwok Hung (appointed on 1 September 2014)

## NOMINATION COMMITTEE

CHING Chi Fai (*Chairman*)  
SUN Kai Lit Cliff *BBS, JP*  
MA Chun Fung Horace

## INVESTMENT COMMITTEE

CHING Chi Fai (*Chairman*)  
MA Chun Fung Horace  
KEUNG Kwok Hung

## CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

KEUNG Kwok Hung *CPA*

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited

## AUDITOR

PricewaterhouseCoopers  
22/F, Prince's Building  
Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
17M Floor  
Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong

## REGISTERED OFFICE

P.O. Box 309GT  
Ugland House  
South Church Street  
George Town, Grand Cayman  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

20th Floor, Laws Commercial Plaza  
788 Cheung Sha Wan Road  
Kowloon  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Bainikeng, Pinghu, Longgang  
Shenzhen, the PRC

## WEBSITE

[www.mingfaigroup.com](http://www.mingfaigroup.com)

## STOCK CODE

3828

# Management Discussion and Analysis

## TO THE SHAREHOLDERS

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.

## FINANCIAL REVIEW

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

	Six months ended 30 June		Change in %
	2014 HK\$ million	2013 HK\$ million	
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 (HK cents)	5.9	6.6	(10.6%)
Diluted earnings per share attributable to equity holders of the Company (HK cents)	5.8	6.5	(10.8%)
Dividend per share (HK cents)	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 tourists. The prospects for international travelling remains positive for May to August 2014 and number of international tourists 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 to 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 stable 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 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 17 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 25 to the condensed consolidated interim financial information. Other than those disclosed in Note 26, 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.

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 5 October 2007 (the "Share Option Scheme"). Particulars of movements in the share options during six months ended 30 June 2014 are as follows:

Grantee	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options					Outstanding as at 30-06-2014
				Outstanding as at 01-01-2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
<b>Directors</b>									
Mr. CHING Chi Fai	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000	—	—	—	—	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	—	—	—	—	300,000
Mr. CHING Chi Keung	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	—	—	—	—	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	—	—	—	—	2,000,000
Ms. CHAN Yim Ching	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	—	—	—	—	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	—	—	—	—	2,000,000
Mr. LIU Zigang	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	—	—	—	—	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	—	—	—	—	2,000,000
Mr. CHING Tsun Wah (appointed on 1 September 2014)	04-09-2012	09-09-2012 to 08-09-2021	0.62	387,500	—	—	—	—	387,500
	04-09-2012	09-09-2013 to 08-09-2021	0.62	387,500	—	—	—	—	387,500
Mr. KEUNG Kwok Hung (appointed on 1 September 2014)	04-09-2012	09-09-2012 to 08-09-2021	0.62	579,000	—	—	—	—	579,000
	04-09-2012	09-09-2013 to 08-09-2021	0.62	579,000	—	—	—	—	579,000
Mr. LEE King Hay	04-09-2012	04-09-2012 to 22-06-2019	0.62	2,000,000	—	—	—	—	2,000,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	2,000,000	—	—	—	—	2,000,000
Mr. SUN Kai Lit Cliff	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	—	—	—	—	300,000
Mr. HUNG Kam Hung Allan	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000	—	—	—	—	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	—	—	—	—	300,000
Mr. MA Chun Fung Horace	04-09-2012	04-09-2012 to 22-06-2019	0.62	300,000	—	—	—	—	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	—	—	—	—	300,000
Mr. NG Bo Kwong	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	—	—	—	—	300,000
	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	—	—	—	—	300,000
<b>Employees</b>									
In aggregate	04-09-2012	04-09-2012 to 22-06-2019	0.62	3,382,500	—	—	—	—	3,382,500
	04-09-2012	23-06-2013 to 22-06-2019	0.62	5,039,500	—	—	—	—	5,039,500 <sup>1</sup>
	04-09-2012	09-09-2012 to 08-09-2021	0.62	5,409,000	—	(50,000)	—	—	5,359,000 <sup>2</sup>
	04-09-2012	09-09-2013 to 08-09-2021	0.62	5,459,000	—	(50,000)	—	—	5,409,000 <sup>2</sup>
	04-09-2012	04-09-2013 to 03-09-2022	0.62	1,462,500	—	—	—	(244,000)	1,218,500
	04-09-2012	04-09-2014 to 03-09-2022	0.62	1,574,500	—	—	—	(244,000)	1,330,500
<b>Total</b>				<b>42,660,000</b>	<b>—</b>	<b>(100,000)</b>	<b>—</b>	<b>(488,000)</b>	<b>42,072,000</b>



## Management Discussion and Analysis

### Notes:

1. Included in employees were 194,000 options granted to Mr. LEE King Keung, being spouse of Ms. CHAN Yim Ching who is an executive Director of the Company.
2. Included in employees were 387,500 options granted to Ms. SO Wai Yin Tracy, being spouse of Mr. CHING Tsun Wah who is an executive Director of the Company appointed on 1 September 2014.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2014, the Directors had the following interests in the shares and underlying shares of the Company and its associated corporations which were recorded in the register required to be kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code:

### Long position in ordinary shares of HK\$0.01 each in the Company

Name of Director	Nature of interests	Interest in number of shares	Approximate percentage of shareholding of the Company
Mr. CHING Chi Fai	Corporate (Note 1)	165,166,600	23.67%
	Personal (Note 2 & Note 9)	10,714,000	1.54%
Mr. CHING Chi Keung	Corporate (Note 3)	32,499,600	4.66%
	Personal (Note 9)	4,000,000	0.57%
Ms. CHAN Yim Ching	Corporate (Note 3)	32,499,600	4.66%
	Personal (Note 9)	4,000,000	0.57%
	Family (Note 4)	388,000	0.06%
Mr. LIU Zigang	Corporate (Note 5)	20,057,200	2.87%
	Personal (Note 9)	4,000,000	0.57%
Mr. LEE King Hay	Personal (Note 6 & Note 9)	7,690,000	1.10%
Mr. HUNG Kam Hung Allan	Personal (Note 9)	600,000	0.09%
Mr. SUN Kai Lit Cliff	Personal (Note 7 & Note 9)	600,000	0.09%
Mr. MA Chun Fung Horace	Personal (Note 9)	600,000	0.09%
Mr. NG Bo Kwong	Personal (Note 8 & Note 9)	600,000	0.09%

### Notes:

1. These shares are owned by Prosper Well International Limited ("Prosper Well"), which is wholly-owned by Mr. CHING Chi Fai.
2. Mr. CHING Chi Fai held 10,114,000 shares and options to subscribe for 600,000 shares.
3. These shares are owned by Targetwise Trading Limited ("Targetwise"), which is owned as to 50% and 50% by Mr. CHING Chi Keung and Ms. CHAN Yim Ching respectively.
4. Mr. LEE King Keung held 194,000 shares and held options to subscribe for 194,000 shares. Ms. CHAN Yim Ching, being Mr. LEE's spouse, was deemed to be interested in the 194,000 shares and the options held by Mr. LEE by virtue of Part XV of the SFO.

5. These shares are owned by Favour Power Limited (“Favour Power”), which is wholly-owned by Mr. LIU Zigang.
6. Mr. LEE King Hay held 3,690,000 shares and options to subscribe for 4,000,000 shares.
7. Mr. SUN Kai Lit Cliff held 300,000 shares and options to subscribe for 300,000 shares.
8. Mr. NG Bo Kwong held 300,000 shares and options to subscribe for 300,000 shares.
9. Options granted to the above Directors under the Share Option Scheme as at 30 June 2014 are set out the section headed “Share Option Scheme” above.

Save as disclosed above, as at 30 June 2014, none of the Directors and their associates, had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO to be entered in the register referred to therein.

### SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2014, so far as the Directors are aware of, the following substantial shareholders (other than a Director or chief executive of the Company) had interests in 5% or more of the Company’s issued share capital:

#### Long position in ordinary shares of HK\$0.01 each in the Company

Name of substantial shareholders	Capacity/nature of interest	Number of shares	Approximate percentage of shareholding of the Company
Prosper Well International Limited	Beneficial owner	165,166,600 (Note 1)	23.67%
Ms. LO Kit Ling	Family interest	175,880,600 (Note 1)	25.21%
Ms. PO Fung Kiu	Family interest	36,499,600 (Note 2)	5.23%
Mr. LEE King Keung	Personal and Family Interest	36,887,600 (Note 3)	5.29%
Atlantis Capital Holdings Limited	Interest of controlled corporation	55,154,000 (Note 4)	7.90%
Ms. LIU Yang	Interest of controlled corporation	55,154,000 (Note 4)	7.90%
American Hotel Register Company	Beneficial owner	45,585,550 (Note 5)	6.53%
Mr. Kevin Christopher LEAHY	Interest of controlled corporation	45,585,550 (Note 5)	6.53%
Mr. Sean Fitzpatrick LEAHY	Interest of controlled corporation	45,585,550 (Note 5)	6.53%

Notes:

1. 165,166,600 shares were owned by Prosper Well, which is wholly-owned by Mr. CHING Chi Fai (the chairman and an executive Director). Mr. CHING Chi Fai also beneficially owned 10,114,000 shares and held share options to subscribe for 600,000 shares. Ms. LO Kit Ling, being Mr. CHING Chi Fai’s spouse, was deemed to be interested in the 175,880,600 shares in which Mr. CHING Chi Fai had interests by virtue of Part XV of the SFO.
2. Ms. PO Fung Kiu, being Mr. CHING Chi Keung’s spouse, was deemed to be interested in the 36,499,600 shares in which Mr. CHING Chi Keung had interests by virtue of Part XV of the SFO.

## Management Discussion and Analysis

3. Mr. LEE King Keung held 194,000 shares and held share options to subscribe for 194,000 shares. Mr. LEE, being Ms. CHAN Yim Ching's spouse, was deemed to be interested in the 36,887,600 shares in which Ms. CHAN Yim Ching had interests by virtue of Part XV of the SFO.
4. Atlantis Capital Holdings Limited is 100% controlled by Ms. LIU Yang.
5. Mr. Kevin Christopher LEAHY and Mr. Sean Fitzpatrick LEAHY held 26% voting interest of American Hotel Register Company.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors has any competing interests in any business or has any interest in any business that may constitute direct or indirect competition with the Group.

### 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.

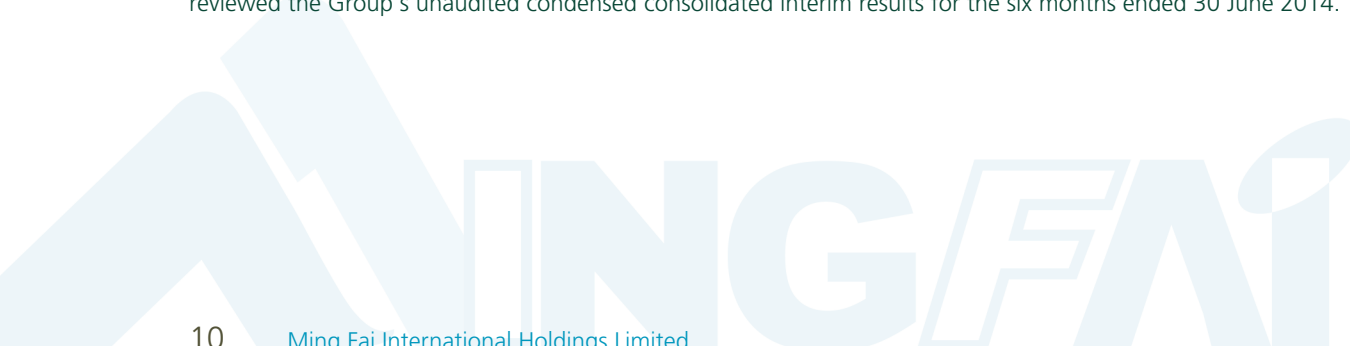
### CORPORATE GOVERNANCE CODE

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 (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 report, 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.

### CHANGES IN INFORMATION OF DIRECTORS

Pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of directors are set out below:

<b>Name of Directors</b>	<b>Details of changes</b>
Mr. LEE King Hay	Re-designated from executive Director to non-executive Director and ceased to be a member of the executive committee of the Company with effect from 1 September 2014.
Mr. NG Bo Kwong	Ceased to be the honorary chairman of the Chinese Enterprises Competitiveness Advancement Association (中國企業競爭力促進會) and appointed as the chairman of the International Quality Service Management Promotion Association (國際優質服務管理促進會).

# Interim Condensed Consolidated Balance Sheet

	Note	(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	10(a)	346,138	355,135
Land use rights	7	18,556	17,834
Property, plant and equipment	8	211,761	217,418
Investment properties	9	206,922	207,180
Intangible assets	10(b)	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		8,104	8,433
<b>Total non-current assets</b>		<b>824,856</b>	843,195
<b>Current assets</b>			
Inventories		180,323	190,456
Trade and bills receivables	11	388,609	415,761
Amount due from an associated company	12	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	13	37,395	38,367
Cash and cash equivalents	14	346,688	343,800
<b>Total current assets</b>		<b>1,019,147</b>	1,055,629
<b>Total assets</b>		<b>1,844,003</b>	1,898,824
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	15	6,978	6,977
Share premium	15	590,996	590,935
Other reserves		689,348	673,664
Proposed interim/final dividend	23	10,467	13,954
		<b>1,297,789</b>	1,285,530
Non-controlling interests		(12,989)	(12,662)
<b>Total equity</b>		<b>1,284,800</b>	1,272,868

The notes on pages 18 to 40 are an integral part of this condensed consolidated interim financial information.

## Interim Condensed Consolidated Balance Sheet

		(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
	Note		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term bank borrowings	17	29,213	32,444
Deferred income tax liabilities		5,704	5,912
<b>Total non-current liabilities</b>		<b>34,917</b>	38,356
<b>Current liabilities</b>			
Current portion of long-term bank borrowings	17	6,444	6,413
Trade payables	18	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		37	28
<b>Total current liabilities</b>		<b>524,286</b>	587,600
<b>Total liabilities</b>		<b>559,203</b>	625,956
<b>Total equity and liabilities</b>		<b>1,844,003</b>	1,898,824
<b>Net current assets</b>		<b>494,861</b>	468,029
<b>Total assets less current liabilities</b>		<b>1,319,717</b>	1,311,224

The notes on pages 18 to 40 are an integral part of this condensed consolidated interim financial information.

# Interim Condensed Consolidated Statement of Comprehensive Income

	Note	(Unaudited) Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Revenue	6	767,391	815,780
Cost of sales	19	(574,377)	(613,180)
<b>Gross profit</b>		<b>193,014</b>	202,600
Distribution costs	19	(89,674)	(94,296)
Administrative expenses	19	(57,124)	(52,932)
Other income	20	3,904	4,844
<b>Operating profit</b>		<b>50,120</b>	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		(155)	–
<b>Profit before income tax</b>		<b>50,475</b>	60,786
Income tax expenses	21	(11,880)	(15,978)
<b>Profit for the period</b>		<b>38,595</b>	44,808
<b>Other comprehensive (loss)/income, net of tax</b> <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		(78)	–
<b>Total comprehensive income for the period</b>		<b>23,570</b>	54,552
<b>Profit/(loss) for the period attributable to:</b>			
Equity holders of the Company		41,125	45,762
Non-controlling interests		(2,530)	(954)
		<b>38,595</b>	44,808
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Equity holders of the Company		26,104	55,502
Non-controlling interests		(2,534)	(950)
		<b>23,570</b>	54,552
<b>Earnings per share attributable to equity holders of the Company (HK cents)</b>			
Basic	22(a)	5.9	6.6
Diluted	22(b)	5.8	6.5
<b>Proposed interim dividend per share (HK cents)</b>	23	<b>1.5</b>	1.5

The notes on pages 18 to 40 are an integral part of this condensed consolidated interim financial information.

# 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 2013</b>	6,968	590,413	653,734	1,251,115	(7,710)	1,243,405	
<b>Total comprehensive income/(loss) for the period ended 30 June 2013</b>	–	–	55,502	55,502	(950)	54,552	
<b>Transactions with owners, recognised directly in equity:</b>							
Exercise of share options (Note 15)	7	423	–	430	–	430	
Share-based compensation (Note 16)	–	–	4,317	4,317	–	4,317	
Dividends relating to 2012 paid in 2013	–	–	(17,438)	(17,438)	–	(17,438)	
<b>Total transactions with owners, recognised directly in equity</b>	7	423	(13,121)	(12,691)	–	(12,691)	
<b>Balance at 30 June 2013</b>	6,975	590,836	696,115	1,293,926	(8,660)	1,285,266	

The notes on pages 18 to 40 are an integral part of this condensed consolidated interim financial information.



## 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>	<b>6,977</b>	<b>590,935</b>	<b>687,618</b>	<b>1,285,530</b>	<b>(12,662)</b>	<b>1,272,868</b>	
<b>Total comprehensive income/(loss) for the period ended 30 June 2014</b>	<b>–</b>	<b>–</b>	<b>26,104</b>	<b>26,104</b>	<b>(2,534)</b>	<b>23,570</b>	
<b>Transactions with owners, recognised directly in equity:</b>							
Exercise of share options (Note 15)	1	61	–	62	–	62	
Capital injection from non-controlling interests	–	–	–	–	51	51	
Share-based compensation (Note 16)	–	–	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>	<b>1</b>	<b>61</b>	<b>(13,907)</b>	<b>(13,845)</b>	<b>2,207</b>	<b>(11,638)</b>	
<b>Balance at 30 June 2014</b>	<b>6,978</b>	<b>590,996</b>	<b>699,815</b>	<b>1,297,789</b>	<b>(12,989)</b>	<b>1,284,800</b>	
<b>Representing:</b>							
Share capital, share premium and other reserves						1,287,322	
Proposed interim dividend (Note 23)						10,467	
						1,297,789	
Non-controlling interests						(12,989)	
<b>Balance at 30 June 2014</b>						<b>1,284,800</b>	

The notes on pages 18 to 40 are an integral part of this condensed consolidated interim financial information.

# Interim Condensed Consolidated Statement of Cash Flows

		(Unaudited)	
		Six months ended 30 June	
	Note	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	24(a)	57,742	63,221
Finance interest paid		(208)	(450)
Income tax paid		(18,104)	(12,745)
<b>Net cash generated from operating activities</b>		<b>39,430</b>	50,026
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(19,684)	(13,644)
Purchase of land use rights		(1,416)	–
Purchase of intangible assets		(48)	(2,674)
Proceeds from disposal of property, plant and equipment	24(b)	156	621
Finance interest received		729	920
Net cash outflows arising from disposal of a subsidiary		(623)	–
<b>Net cash used in investing activities</b>		<b>(20,886)</b>	(14,777)
<b>Cash flows from financing activities</b>			
Increase in restricted cash		–	(1,064)
Proceeds from borrowings	24(c)	–	30,000
Repayments of borrowings	24(c)	(3,200)	(3,167)
Dividends paid to equity holders		(13,946)	(17,425)
Proceeds from exercise of share options		62	430
Capital injection from non-controlling interests		51	–
Proceeds from loans from non-controlling interests	24(c)	1,666	–
<b>Net cash (used in)/generated from financing activities</b>		<b>(15,367)</b>	8,774
<b>Net increase in cash and cash equivalents</b>		<b>3,177</b>	44,023
Cash and cash equivalents at beginning of the period		343,800	245,505
Exchange (losses)/gains on cash and cash equivalents		(289)	470
<b>Cash and cash equivalents at the end of the period</b>		<b>346,688</b>	289,998

The notes on pages 18 to 40 are an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

## 1 GENERAL INFORMATION

Ming Fai International Holdings Limited (the “Company”) is an investment holding company. Its subsidiaries (the Company and its subsidiaries collectively, the “Group”) are principally engaged in the manufacturing and sales of amenity products and accessories and the distribution and retail business of cosmetics and fashion accessories in the People’s Republic of China (the “PRC”) through franchisees.

The Company was incorporated in the Cayman Islands on 29 May 2007 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands. Its registered address is at the office of M&C Corporate Services Limited, P.O. Box 309GT, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 was approved for issue by the Board of Directors (the “Board”) on 28 August 2014.

This condensed consolidated interim financial information has not been audited.

## 2 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”).

## 3 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.

## 3 ACCOUNTING POLICIES (Continued)

### **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.

## 4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

## 5 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the financial risk management of the Group since year end.

# Notes to the Condensed Consolidated Interim Financial Information

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### (b) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### (c) Fair value estimation

The Group's finance department includes a team that performs the valuations of financial assets and financial liabilities required for financial reporting purposes. As part of the valuation process, this team reports directly to the chief financial officer. External valuers will be engaged, if necessary.

The fair values of the following financial assets and liabilities approximate their carrying values:

- Trade and bills receivables
- Amount due from an associated company
- Amounts due from joint ventures
- Deposits and other receivables
- Restricted cash
- Cash and cash equivalents
- Trade payables
- Accruals and other payables
- Loans from non-controlling interests
- Dividends payable
- Borrowings

## 6 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.

## Notes to the Condensed Consolidated Interim Financial Information

### 6 SEGMENT INFORMATION (Continued)

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 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	Total HK\$'000	
	North America HK\$'000	Europe HK\$'000	The PRC HK\$'000	Hong Kong HK\$'000	Australia HK\$'000	Other Asia Pacific countries (Note(i))	Others (Note(ii))	Sub-total HK\$'000	The PRC HK\$'000	Hong Kong HK\$'000	Sub-total 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													38,595

# Notes to the Condensed Consolidated Interim Financial Information

## 6 SEGMENT INFORMATION (Continued)

### Geographical (Continued)

	Manufacturing and distribution business of amenity products							Distribution and retail business of cosmetics and fashion accessories			Others		Total HK\$'000
	North America		The PRC		Hong Kong		Other Asia Pacific countries (Note (i))	Others (Note (ii))	The PRC		Hong Kong	Others	
	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 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													44,808

	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		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	HK\$'000			HK\$'000
As at 30 June 2014 (Unaudited)													
Total assets	775,384	564,969	1,608	30,435	1,372,396	457,245	3,664	460,909	284,313	(273,615)	1,844,003		
As at 31 December 2013 (Audited)													
Total assets	751,475	605,467	973	29,583	1,387,498	479,844	4,822	484,666	298,813	(272,153)	1,898,824		

## Notes to the Condensed Consolidated Interim Financial Information

### 6 SEGMENT INFORMATION (Continued)

#### Geographical (Continued)

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.

### 7 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments.

	<b>(Unaudited)</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	(Unaudited) 30 June 2013 HK\$'000
Opening net book amount	<b>17,834</b>	17,793
Additions	<b>1,416</b>	–
Amortisation ( <i>Note 19</i> )	<b>(235)</b>	(228)
Exchange differences	<b>(459)</b>	283
Closing net book amount	<b>18,556</b>	17,848

As at 30 June 2014, land use right with an aggregate carrying value of HK\$2,093,000 (31 December 2013: HK\$2,177,000) was pledged as securities for an undrawn banking facility of the Group (*Note 17*).

### 8 PROPERTY, PLANT AND EQUIPMENT

	<b>(Unaudited)</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	(Unaudited) 30 June 2013 HK\$'000
Opening net book amount	<b>217,418</b>	230,467
Additions	<b>19,684</b>	13,644
Disposals	<b>(454)</b>	(405)
Disposal of a subsidiary	<b>(2,302)</b>	–
Depreciation ( <i>Note 19</i> )	<b>(17,429)</b>	(18,524)
Exchange differences	<b>(5,156)</b>	3,408
Closing net book amount	<b>211,761</b>	228,590

As at 30 June 2014, certain property, plant and equipment with an aggregate carrying value of HK\$19,062,000 (31 December 2013: HK\$20,664,000) were pledged as securities for an undrawn banking facility of the Group (*Note 17*).



## Notes to the Condensed Consolidated Interim Financial Information

### 9 INVESTMENT PROPERTIES

	<b>(Unaudited)</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	(Unaudited) 30 June 2013 HK\$'000
Opening net book amount	<b>207,180</b>	206,899
Exchange differences	<b>(258)</b>	158
Closing net book amount	<b>206,922</b>	207,057

- (a) An independent valuation of the Group's investment properties was performed by the valuer, Asset Appraisal Limited, to determine the fair value of the investment properties as at 30 June 2014 and 31 December 2013. The following table analyses the investment properties carried at fair value.

The fair value measurement information for these investment properties in accordance with HKFRS 13 are given below:

#### Fair value hierarchy

	<b>Fair value measurements at 30 June 2014 using</b>		
	<b>Quoted price in active markets for identical assets (Level 1) HK\$'000</b>	<b>Significant other observable inputs (Level 2) HK\$'000</b>	<b>Significant unobservable inputs (Level 3) HK\$'000</b>
Recurring fair value measurements: Investment properties	–	<b>206,922</b>	–

	<b>Fair value measurements at 31 December 2013 using</b>		
	<b>Quoted price in active markets for identical assets (Level 1) HK\$'000</b>	<b>Significant other observable inputs (Level 2) HK\$'000</b>	<b>Significant unobservable inputs (Level 3) HK\$'000</b>
Recurring fair value measurements: Investment properties	–	207,180	–

## Notes to the Condensed Consolidated Interim Financial Information

### 9 INVESTMENT PROPERTIES (Continued)

(a) (Continued)

#### Fair value hierarchy (Continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the period.

Level 2 fair values of completed investment properties have been generally derived using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

(b) As at 30 June 2014, certain investment properties with an aggregate carrying amount of HK\$197,000,000 (31 December 2013: HK\$197,000,000) were pledged as security for a mortgage loan drawn by the Group (Note 17).

### 10 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	<b>(Unaudited)</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	(Unaudited) 30 June 2013 HK\$'000
Opening net book amount	<b>355,135</b>	345,325
Exchange differences	<b>(8,997)</b>	5,519
Closing net book amount	<b>346,138</b>	350,844

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified. As at 30 June 2014, goodwill of HK\$346,138,000 is allocated to the distribution and retail business of cosmetics and fashion accessories in the PRC (31 December 2013: HK\$355,135,000).

## Notes to the Condensed Consolidated Interim Financial Information

### 10 GOODWILL AND INTANGIBLE ASSETS (Continued)

#### (b) Intangible assets

	<b>(Unaudited)</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	(Unaudited) 30 June 2013 HK\$'000
Opening net book amount	<b>16,322</b>	16,172
Additions	<b>48</b>	2,674
Amortisation ( <i>Note 19</i> )	<b>(1,535)</b>	(1,728)
Exchange differences	<b>(296)</b>	206
Closing net book amount	<b>14,539</b>	17,324

### 11 TRADE AND BILLS RECEIVABLES

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

## Notes to the Condensed Consolidated Interim Financial Information

### 11 TRADE AND BILLS RECEIVABLES (Continued)

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

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

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

### 12 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:

	<b>(Unaudited)</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	(Audited) 31 December 2013 HK\$'000
Current	<b>1,102</b>	878
1 – 30 days	<b>540</b>	304
31 – 60 days	<b>39</b>	395
61 – 90 days	<b>374</b>	438
Over 90 days	<b>1,404</b>	1,131
	<b>3,459</b>	3,146

## Notes to the Condensed Consolidated Interim Financial Information

### 13 RESTRICTED CASH

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

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 26.

### 14 CASH AND CASH EQUIVALENTS

	<b>(Unaudited)</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	(Audited) 31 December 2013 HK\$'000
Cash at banks and on hand	<b>214,610</b>	236,010
Short-term bank deposits	<b>132,078</b>	107,790
	<b>346,688</b>	343,800

The Group's cash and bank balances amounted to approximately HK\$156,123,000 (31 December 2013: approximately HK\$124,945,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

### 15 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
<b>Balance at 1 January 2013</b>	696,807,697	6,968	590,413	597,381
Exercise of share options	694,000	7	423	430
<b>Balance at 30 June 2013</b>	697,501,697	6,975	590,836	597,811
<b>Balance at 1 January 2014</b>	<b>697,663,697</b>	<b>6,977</b>	<b>590,935</b>	<b>597,912</b>
Exercise of share options	<b>100,000</b>	<b>1</b>	<b>61</b>	<b>62</b>
<b>Balance at 30 June 2014</b>	<b>697,763,697</b>	<b>6,978</b>	<b>590,996</b>	<b>597,974</b>

### 16 SHARE-BASED COMPENSATION

Pursuant to a written resolution of the shareholders dated 5 October 2007, a share option scheme (the "Scheme") was adopted by the Company. Pursuant to the Scheme, the Board may, at its discretion, grant any full time or part time employees, including the directors of any member of the Group, options to subscribe for ordinary shares of the Company. Details of the Scheme are disclosed in the prospectus of the Company dated 22 October 2007.

During the year ended 31 December 2009, a total of 32,000,000 share options were granted to certain directors and employees. 50% of the options are vested after two years from date of grant and the remaining of 50% of the options are only vested after four years from the date of grant. The options will lapse on 23 June 2019. 775,000 share options were forfeited during the six months ended 30 June 2012. On 4 September 2012, the Company cancelled the remaining 26,822,000 share options and granted the same number of share options at an exercise price of HK\$0.62 to replace them. No share options were cancelled or forfeited during the six months ended 30 June 2014 (during the six months ended 30 June 2013: same).

On 9 September 2011, a total of 17,790,000 share options were granted to a director and certain employees of the Group. 50% of the options are vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. The options will lapse on 9 September 2021. 1,188,000 share options were forfeited during the six months ended 30 June 2012. On 4 September 2012, the Company cancelled the remaining 15,727,000 share options and granted the same number of share options at an exercise price of HK\$0.62 to replace them. No share options were cancelled or forfeited during the six months ended 30 June 2014 (during the six months ended 30 June 2013: same).

On 4 September 2012, a total of 3,373,000 shares options were granted to certain employees of the Group. 50% of the options were vested after one year from date of grant and the remaining of 50% of the options are only vested after two years from date of grant. The options have an exercise price of HK\$0.62 and will lapse on 4 September 2022. 488,000 share options were forfeited during the six months ended 30 June 2014 (during the six months ended 30 June 2013: Nil).

During the six months ended 30 June 2014, 100,000 options were exercised at proceeds of HK\$62,000 (during the six months ended 30 June 2013: 694,000 options). The related weighted average exercise price at the time of exercise was HK\$0.62 per share.

During the six months ended 30 June 2014, share-based payment expense of HK\$48,000 (during the six months ended 30 June 2013: HK\$4,317,000) was recognised in the interim condensed consolidated statement of comprehensive income.

## Notes to the Condensed Consolidated Interim Financial Information

### 17 BORROWINGS

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

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).

Movements in borrowings are analysed as follows:

	<b>HK\$'000</b>
<b>For the six months ended 30 June 2014 (Unaudited)</b>	
At 1 January 2014	<b>38,857</b>
Repayments of borrowings	<b>(3,200)</b>
At 30 June 2014	<b>35,657</b>
<b>For the six months ended 30 June 2013 (Unaudited)</b>	
At 1 January 2013	45,207
Proceeds from borrowings	30,000
Repayments of borrowings	(3,167)
At 30 June 2013	72,040

## Notes to the Condensed Consolidated Interim Financial Information

### 17 BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

	<b>(Unaudited)</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	(Audited) 31 December 2013 HK\$'000
Floating rate: – expiring within one year	<b>249,450</b>	252,690

### 18 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	(Audited) 31 December 2013 HK\$'000
Current	<b>135,826</b>	170,421
1 – 30 days	<b>46,759</b>	49,034
31 – 60 days	<b>5,981</b>	5,168
61 – 90 days	<b>3,602</b>	3,146
Over 90 days	<b>5,770</b>	5,446
	<b>197,938</b>	233,215



## Notes to the Condensed Consolidated Interim Financial Information

### 19 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

### 20 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
	3,904	4,844

## Notes to the Condensed Consolidated Interim Financial Information

### 21 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>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current income tax:		
– Hong Kong profits tax	<b>11,879</b>	11,225
– PRC enterprise income tax	<b>(279)</b>	4,720
– Singapore income tax	<b>230</b>	251
	<b>11,830</b>	16,196
Deferred income tax	<b>50</b>	(218)
	<b>11,880</b>	15,978

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.

## Notes to the Condensed Consolidated Interim Financial Information

### 22 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.

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
<b>Earnings</b>		
Profit attributable to equity holders of the Company <i>(HK\$'000)</i>	<b>41,125</b>	45,762
Weighted average number of ordinary shares in issue <i>(thousands)</i>	<b>697,707</b>	697,243
Basic earnings per share attributable to equity holders of the Company <i>(HK cents)</i>	<b>5.9</b>	6.6

#### (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.

## Notes to the Condensed Consolidated Interim Financial Information

### 22 EARNINGS PER SHARE (Continued)

#### (b) Diluted (Continued)

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
<b>Earnings</b>		
Profit attributable to equity holders of the Company (HK\$'000)	41,125	45,762
<b>Weighted average number of ordinary shares in issue (thousands)</b>	697,707	697,243
Adjustments for:		
– Share options (thousands)	7,367	12,034
<b>Weighted average number of ordinary shares for diluted earnings per share (thousands)</b>	705,074	709,277
Diluted earnings per share attributable to equity holders of the Company (HK cents)	5.8	6.5

### 23 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).

## Notes to the Condensed Consolidated Interim Financial Information

### 24 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax for the period to cash generated from operations

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit before income tax	50,475	60,786
Adjustments for:		
– Amortisation of land use rights ( <i>Note 7</i> )	235	228
– Depreciation of property, plant and equipment ( <i>Note 8</i> )	17,429	18,524
– Amortisation of intangible assets ( <i>Note 10(b)</i> )	1,535	1,728
– Loss/(gain) on disposal of property, plant and equipment	298	(216)
– Finance income	(729)	(920)
– Finance expense	208	450
– Provision for obsolete inventories	247	31
– Provision for impairment of trade and bills receivables	1,700	2,369
– Direct write-off of provision of trade and bills receivables	46	585
– Share of loss/(profit) of an associated company	11	(100)
– Share of losses of joint ventures	155	–
– Share-based compensation ( <i>Note 16</i> )	48	4,317
– Gain on disposal of a subsidiary	(71)	–
Changes in working capital:		
– Inventories	8,290	12,830
– Trade and bills receivables	25,406	(123)
– Deposits, prepayments and other receivables	1,045	8,747
– Trade payables	(35,171)	(33,434)
– Accruals and other payables	(13,102)	(11,577)
– Amount due from an associated company	(313)	(1,004)
Cash generated from operations	57,742	63,221

## Notes to the Condensed Consolidated Interim Financial Information

### 24 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Net book amount:		
– Property, plant and equipment (Note 8)	454	405
– (Loss)/gain on disposal of property, plant and equipment	(298)	216
Proceeds from disposal of property, plant and equipment	156	621

#### (c) Analysis of changes in financing during the period

##### Bank borrowings

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Beginning of the period	38,857	45,207
Proceeds from borrowings	–	30,000
Repayments of borrowings	(3,200)	(3,167)
Exchange difference	–	–
End of the period	35,657	72,040

## Notes to the Condensed Consolidated Interim Financial Information

### 24 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (c) Analysis of changes in financing during the period (Continued)

##### *Loans from non-controlling interests*

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Beginning of the period	6,521	5,933
Proceeds from loans	1,666	–
Exchange difference	–	–
End of the period	8,187	5,933

### 25 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).

### 26 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.

## Notes to the Condensed Consolidated Interim Financial Information

### 27 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The ultimate controlling parties of the Group are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang and Ms. CHAN Yim Ching.

#### (a) Significant related party transactions

The Group has carried out significant transactions with the following related parties:

Name of related party	Principal business activities	Relationship with the Group
Mr. LIU Zigang	Not applicable	A shareholder and an executive Director of the Company
Ming Fai Plastic Industrial Company	Manufacturing of plastic products (Ceased manufacturing of plastic products since April 2003)	Partnership owned by Mr. CHING Chi Fai (a shareholder and an executive Director of the Company), Mr. YEUNG Tin Loi and Mr. CHING Chi Keung (a shareholder and an executive Director of the Company)
Quality Amenities Supply (M) Sdn. Bhd.	Trading of hotel amenities and accessories	Associated company of the Group
iBridge Technology (Shenzhen) Limited (恩博哲科技(深圳)有限公司)	Provision of information technology services	Joint venture of the Group

	(Unaudited) Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
(i) Sales of goods – to Quality Amenities Supply (M) Sdn. Bhd.	2,444	2,270
(ii) Rental charged – by Ming Fai Plastic Industrial Company – by Mr. LIU Zigang	457 83	458 83
(iii) Purchase of services rendered from – Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd. – Information technology service charges from iBridge Technology (Shenzhen) Limited (恩博哲科技(深圳)有限公司)	370 125	469 —



## Notes to the Condensed Consolidated Interim Financial Information

### 27 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (a) Significant related party transactions (Continued)

- (i) Sales of goods are transacted at normal commercial terms that are consistently applied to all customers.
- (ii) The Group leased certain properties from Ming Fai Plastic Industrial Company as one of its production bases in the PRC. The transaction is carried out in the ordinary course of business and conducted at prices mutually agreed between the relevant parties.

The Group leased one office premise in the PRC from Mr. LIU Zigang. The transactions are carried out in the ordinary course of business and conducted at prices mutually agreed between the relevant parties.

- (iii) Purchases of services are transacted at normal commercial terms that are consistently applied to all customers of the related companies.

#### (b) Key management compensation

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	<b>1,819</b>	1,788
Contributions to pension plans	<b>54</b>	53
Share-based payments	<b>–</b>	1,146
	<b>1,873</b>	2,987