



明輝國際控股有限公司*
Ming Fai International Holdings Limited

(於開曼群島註冊成立之有限公司)
(股份代號: 3828)



中期報告 2013

* 僅供識別

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

CHING Chi Fai (*Chairman*)
CHING Chi Keung
LIU Zigang
LEE King Hay
CHAN Yim Ching

Non-executive Director:

Lawrence Joseph MORSE

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
LEE King Hay
CHAN Yim Ching

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

COMPANY SECRETARY

KEUNG Kwok Hung *CPA*

PRINCIPAL BANKERS

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

AUDITOR

PricewaterhouseCoopers
22/F, Prince 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

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 2013.

FINANCIAL REVIEW

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

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

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

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

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

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

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

Management Discussion and Analysis

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

- A loss of HK\$8.6 million (for the six months ended 30 June 2012: loss of HK\$9.0 million) in respect of its operation of a laundry plant in Jiangsu Province, the PRC (100% owned by the Group);
- A loss of HK\$8.5 million (for the six months ended 30 June 2012: profit of HK\$13.2 million) in respect of the “7 Magic” retail business in the PRC;
- A loss of HK\$1.6 million (for the six months ended 30 June 2012: profit of HK\$0.1 million) in respect of its 51% held retail business under a brand “everyBody Labo”;
- Share-based compensation of HK\$4.3 million (for the six months ended 30 June 2012: HK\$4.5 million).

BUSINESS REVIEW

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

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

Core Operations

Manufacturing and distribution business of amenity products

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

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

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

New Business Development

China retail market – 7 Magic

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

Retail Brand – everyBody Labo

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

Laundry services

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

Management Discussion and Analysis

PROSPECTS

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group's cash and cash equivalents amounted to HK\$290.0 million (31 December 2012: HK\$245.5 million).

In November 2009, the Group entered into a mortgage deed with a leading bank in Hong Kong to raise HK\$64.4 million for the completion of acquisition of office premises in Central district. This facility bore interest at one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% per annum or 1.75% below Hong Kong dollars Prime Rate, whichever is the lower. The facility is secured by the office premises with the maturity date on 27 November 2019. As at 30 June 2013, the outstanding borrowing of this facility amounted to HK\$42.0 million (31 December 2012: HK\$45.2 million). Details of the borrowings are set out in note 17 to the condensed consolidated interim financial information.

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

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi (“RMB”). The Group currently does not deploy a foreign currency hedging policy.

With the current level of cash and cash equivalents on hand as well as available banking facilities, the Group’s liquidity position remains strong and has sufficient financial resources to meet its current working capital requirement and future expansion.

CHARGES ON GROUP ASSETS

As at 30 June 2013, a subsidiary of the Company pledged assets with aggregate carrying value of HK\$197.0 million (31 December 2012: HK\$197.0 million) to secure drawn bank borrowings.

CAPITAL COMMITMENTS, OPERATING LEASE COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments, operating lease commitments and contingent liabilities are set out in note 24 and note 25 to the condensed consolidated interim financial information.

EMPLOYEES

As at 30 June 2013, the total number of employees of the Group was approximately 4,800 and the employee benefit expenses was approximately HK\$163 million. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees to stay on top of their skills and knowledge.

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

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 5 October 2007 (the “Share Option Scheme”).

Management Discussion and Analysis

Particulars of movements in the share options during six months ended 30 June 2013 are as follows:

Grantee	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options					Outstanding as at 30-06-2013
				Outstanding as at 01-01-2013	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period	
Directors									
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. 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 (appointed on 13 June 2013)	04-09-2012	23-06-2013 to 22-06-2019	0.62	300,000	-	-	-	-	300,000
Employees									
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 ¹	-	-	-	-	5,039,500
	04-09-2012	09-09-2012 to 08-09-2021	0.62	7,169,500	-	(694,000)	-	-	6,475,500
	04-09-2012	09-09-2013 to 08-09-2021	0.62	7,569,500	-	-	-	-	7,569,500
	04-09-2012	04-09-2013 to 03-09-2022	0.62	1,686,500	-	-	-	-	1,686,500
	04-09-2012	04-09-2014 to 03-09-2022	0.62	1,686,500	-	-	-	-	1,686,500
Total				44,934,000	-	(694,000)	-	-	44,240,000

Note:

- Included in employees was 194,000 options granted to Mr. LEE King Keung, being spouse of Ms. CHAN Yim Ching who is an executive Director of the Company.

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

As at 30 June 2013, 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	23.68%
	Personal (Notes 2 & 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	2.88%
	Personal (Note 9)	4,000,000	0.57%
Mr. LEE King Hay	Personal (Note 6 & 9)	7,690,000	1.10%
Mr. HUNG Kam Hung Allan	Personal (Note 9)	600,000	0.09%
Mr. SUN Kai Lit Cliff	Personal (Notes 7 & 9)	600,000	0.09%
Mr. MA Chun Fung Horace	Personal (Note 9)	600,000	0.09%
Mr. NG Bo Kwong	Personal (Notes 8 & 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 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 2013 are set out the section headed "Share Option Scheme" above.

Save as disclosed above, as at 30 June 2013, 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.

Management Discussion and Analysis

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 2013, 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)	23.68%
Ms. LO Kit Ling	Family interest	175,880,600 (Note 1)	25.22%
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	55,825,000 (Note 4)	8.00%
Ms. LIU Yang	Interest of controlled corporation	55,825,000 (Note 4)	8.00%
American Hotel Register Company	Beneficial owner	45,585,550 (Note 5)	6.54%
Mr. Kevin Christopher LEAHY	Interest of controlled corporation	45,585,550 (Note 5)	6.54%
Mr. Sean Fitzpatrick LEAHY	Interest of controlled corporation	45,585,550 (Note 5)	6.54%

Notes:

- 165,166,600 shares were owned by Prosper Well International Limited, 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 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.
- 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.
- Mr. LEE King Keung held 194,000 shares and held share options to subscribe for 194,000 shares personally. Mr. LEE, being Ms. CHAN Yim Ching's spouse, was deemed to be interested in the 36,499,600 shares in which Ms. CHAN Yim Ching had interests by virtue of Part XV of the SFO. As such, the total number of shares and underlying share held by Mr. LEE King Keung was 36,887,600.
- Atlantis Capital Holdings Limited is 100% controlled by Ms. LIU Yang.
- Mr. Kevin Christopher LEAHY and Mr. Sean Fitzpatrick LEAHY held 34% and 34% interest of American Hotel Register Company respectively. They were deemed to be interested in the shares held by American Hotel Register Company by virtue of Part XV of the SFO.

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 2013, neither the Company nor any of its subsidiaries purchased, redeemed or sold any listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Group has complied with all the code provisions set out in the Corporate Governance Code (the "Code") during the six months ended 30 June 2013 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 interim 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 2013.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions on 5 October 2007. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirements set out under the Model Code for the six months ended 30 June 2013.

Management Discussion and Analysis

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 23 September 2013 to Thursday, 26 September 2013 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 19 September 2013.

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

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

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules, the change in information of director is set out below:

<u>Name of Director</u>	<u>Detail of change</u>
Mr. MA Chun Fung Horace	Retired as an independent non-executive director of Dejin Resources Group Company Limited on 3 June 2013.

Interim Condensed Consolidated Balance Sheet

		(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
	Note		
ASSETS			
Non-current assets			
Goodwill	10(a)	350,844	345,325
Land use rights	7	17,848	17,793
Property, plant and equipment	8	228,590	230,467
Investment properties	9	207,057	206,899
Intangible assets	10(b)	17,324	16,172
Long-term prepayments		19,611	20,802
Investment in an associated company		735	634
Deferred income tax assets		4,173	4,115
Total non-current assets		846,182	842,207
Current assets			
Inventories		186,638	199,499
Trade and bills receivables	11	388,774	391,605
Amount due from an associated company	12	2,332	1,328
Prepaid tax		26	26
Deposits, prepayments and other receivables		76,010	83,566
Restricted cash	13	38,371	37,307
Cash and cash equivalents	14	289,998	245,505
Total current assets		982,149	958,836
Total assets		1,828,331	1,801,043
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	15	6,975	6,968
Share premium	15	590,836	590,413
Other reserves		685,652	636,303
Proposed interim/final dividend	23	10,463	17,431
		1,293,926	1,251,115
Non-controlling interests		(8,660)	(7,710)
Total equity		1,285,266	1,243,405

The notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Balance Sheet

		(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	17	35,657	38,868
Deferred income tax liabilities		5,713	5,849
Total non-current liabilities		<u>41,370</u>	<u>44,717</u>
Current liabilities			
Current portion of long-term bank borrowings	17	6,383	6,339
Short-term borrowings	17	30,000	–
Trade payables	18	197,567	231,001
Accruals and other payables		223,163	234,740
Current income tax liabilities		38,622	34,894
Loans from non-controlling interests		5,933	5,933
Dividends payable		27	14
Total current liabilities		<u>501,695</u>	<u>512,921</u>
Total liabilities		<u>543,065</u>	<u>557,638</u>
Total equity and liabilities		<u>1,828,331</u>	<u>1,801,043</u>
Net current assets		<u>480,454</u>	<u>445,915</u>
Total assets less current liabilities		<u>1,326,636</u>	<u>1,288,122</u>

The notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

		(Unaudited)	
		Six months ended 30 June	
		2013	2012
		HK\$'000	HK\$'000
	Note		
Revenue	6	815,780	768,970
Cost of sales	19	<u>(613,180)</u>	<u>(619,451)</u>
Gross profit		202,600	149,519
Distribution costs	19	(94,296)	(72,805)
Administrative expenses	19	(52,932)	(49,677)
Other income	20	<u>4,844</u>	<u>29,616</u>
Operating profit		60,216	56,653
Finance income		920	283
Finance cost		(450)	(993)
Share of profit of an associated company		<u>100</u>	<u>47</u>
Profit before income tax		60,786	55,990
Income tax expense	21	<u>(15,978)</u>	<u>(10,050)</u>
Profit for the period		44,808	45,940
Other comprehensive income/(loss), net of tax			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<u>9,744</u>	<u>(6,471)</u>
Total comprehensive income for the period		54,552	39,469
Profit/(loss) for the period attributable to:			
Equity holders of the Company		45,762	45,615
Non-controlling interests		<u>(954)</u>	<u>325</u>
		44,808	45,940
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the Company		55,502	39,150
Non-controlling interests		<u>(950)</u>	<u>319</u>
		54,552	39,469
Earnings per share attributable to equity holders of the Company (HK cents)			
Basic	22(a)	6.6	6.8
Diluted	22(b)	<u>6.5</u>	<u>6.8</u>
Proposed interim dividend per share (HK cents)	23	1.5	1.0

The notes on pages 19 to 38 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		
Balance at 1 January 2012	6,694	560,626	546,769	1,114,089	(7,812)	1,106,277
Total comprehensive income for the period ended 30 June 2012	–	–	39,150	39,150	319	39,469
Transactions with equity holders:						
Share-based compensation	–	–	4,510	4,510	–	4,510
Cancellation of ordinary shares (Note 15)	(186)	(14,852)	–	(15,038)	–	(15,038)
Dividends relating to 2011 paid in 2012	–	–	(13,017)	(13,017)	–	(13,017)
Capital injection from non-controlling interests	–	–	–	–	174	174
Forfeiture of dividends	–	–	1,764	1,764	–	1,764
Total transactions with equity holders	(186)	(14,852)	(6,743)	(21,781)	174	(21,607)
Balance at 30 June 2012	6,508	545,774	579,176	1,131,458	(7,319)	1,124,139

The notes on pages 19 to 38 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	Total equity
	Share capital	Share premium	Other reserves	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 January 2013	<u>6,968</u>	<u>590,413</u>	<u>653,734</u>	<u>1,251,115</u>	<u>(7,710)</u>	<u>1,243,405</u>
Total comprehensive income/(loss) for the period ended 30 June 2013	<u>–</u>	<u>–</u>	<u>55,502</u>	<u>55,502</u>	<u>(950)</u>	<u>54,552</u>
Transactions with equity holders:						
Exercise of share options (Note 15)	7	423	–	430	–	430
Share-based compensation	–	–	4,317	4,317	–	4,317
Dividends relating to 2012 paid in 2013	<u>–</u>	<u>–</u>	<u>(17,438)</u>	<u>(17,438)</u>	<u>–</u>	<u>(17,438)</u>
Total transactions with equity holders	<u>7</u>	<u>423</u>	<u>(13,121)</u>	<u>(12,691)</u>	<u>–</u>	<u>(12,691)</u>
Balance at 30 June 2013	<u>6,975</u>	<u>590,836</u>	<u>696,115</u>	<u>1,293,926</u>	<u>(8,660)</u>	<u>1,285,266</u>
Representing:						
Share capital, share premium and other reserves						1,283,463
Proposed interim dividend (Note 23)						<u>10,463</u>
						1,293,926
Non-controlling interests						<u>(8,660)</u>
Balance at 30 June 2013						<u>1,285,266</u>

The notes on pages 19 to 38 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

	(Unaudited)	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Net cash generated from operating activities	50,026	10,957
Net cash (used in)/generated from investing activities	(14,777)	860
Net cash generated from/(used in) in financing activities	<u>8,774</u>	<u>(15,469)</u>
Net increase/(decrease) in cash and cash equivalents	44,023	(3,652)
Cash and cash equivalents at the beginning of the period	245,505	191,480
Exchange differences on cash and cash equivalents	<u>470</u>	<u>(146)</u>
Cash and cash equivalents at the end of the period	<u><u>289,998</u></u>	<u><u>187,682</u></u>

The notes on pages 19 to 38 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 (together 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”) with the brand “7 Magic” 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, Uglard 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 29 August 2013.

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 2013 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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

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

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

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

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

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

Fourth 2011 annual improvements project

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

HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

3 ACCOUNTING POLICIES (Continued)

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted: (Continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

There are no other HKFRS or HK (IFRIC) interpretations that are not yet effective that would 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 2012.

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 2012.

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

(b) Liquidity risk

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

5 FINANCIAL RISK MANAGEMENT (Continued)

(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 (CFO). External valuers will be engaged, if necessary.

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

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

Notes to the Condensed Consolidated Interim Financial Information

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.

The Group is principally engaged in the manufacturing and distribution of amenity products. From a geographical perspective, the Board assesses the performance based on the Group's revenue by geographical location in which the customer is located. The Group is also engaged in the distribution and retail business of cosmetics and fashion accessories in the People's Republic of China (the "PRC") with the brand "7 Magic" through franchisees. Altogether, the Group has two reportable segments: (a) manufacturing and distribution business of amenity products and (b) distribution and retail business of cosmetics and fashion accessories.

The Board assesses the performance of the operating segments based on a measure of profit/(loss) before income tax and share of profit from an associated company, compensation income and fair value gain on contingent consideration in relation to the acquisition of All Team Group Limited and its subsidiaries ("All Team Group").

Information provided to the Board is measured in a manner consistent with that of the condensed consolidated interim financial information.

Sales between segments are carried out at normal commercial term. Depreciation and amortisation charges are apportioned with reference to respective segment revenue. Assets of the Group are allocated by reference to the principal markets in which the Group operates.

Geographical

	Manufacturing and distribution business of amenity products							Distribution and retail business of cosmetics and fashion accessories			Others	Total	
	North America	Europe	The PRC	Hong Kong	Australia	Other Asia Pacific countries	Others	The PRC	Hong Kong	Sub-total	(Note (iv))		
	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		
Six months ended 30 June 2013 (Unaudited)													
Segment revenue	234,877	94,469	200,067	86,366	15,502	103,604	5,081	739,966	68,144	1,744	69,888	7,981	817,835
Inter-segment revenue	-	-	(1,798)	(221)	-	-	-	(2,019)	-	(36)	(36)	-	(2,055)
Revenue from external customers	234,877	94,469	198,269	86,145	15,502	103,604	5,081	737,947	68,144	1,708	69,852	7,981	815,780
Segment profit/(loss) before income tax	34,501	9,197	16,069	5,989	433	11,163	582	77,934	(8,271)	(1,624)	(9,895)	(7,353)	60,686
Share of profit of an associated company													100
Income tax expense													(15,978)
Profit for the period													44,808

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 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	(Note (iv)) HK\$'000	
						HK\$'000	HK\$'000						
Six months ended 30 June 2012 (Unaudited)													
Segment revenue	231,783	100,267	173,964	67,713	16,849	74,328	4,371	669,275	97,915	3,993	101,908	7,031	778,214
Inter-segment revenue	-	-	(7,430)	(1,356)	-	-	-	(8,786)	-	(15)	(15)	(443)	(9,244)
Revenue from external customers	231,783	100,267	166,534	66,357	16,849	74,328	4,371	660,489	97,915	3,978	101,893	6,588	768,970
Segment profit/(loss) before income tax	12,837	4,050	2,459	2,126	67	4,389	69	25,997	14,611	55	14,666	(10,518)	30,145
Share of profit of an associated company													47
Compensation income													10,760
Fair value gain on contingent consideration in relation to the acquisition of All Team Group													15,038
Income tax expense													(10,050)
Profit for the period													<u>45,940</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 (Note (iii))	Sub-total HK\$'000	The PRC HK\$'000	Hong Kong HK\$'000	Sub-total HK\$'000	HK\$'000			
				HK\$'000								
As at 30 June 2013 (Unaudited)												
Total assets	<u>714,998</u>	<u>526,490</u>	<u>941</u>	<u>26,993</u>	<u>1,269,422</u>	<u>490,020</u>	<u>4,807</u>	<u>494,827</u>	<u>285,487</u>	<u>(221,405)</u>	<u>1,828,331</u>	
As at 31 December 2012 (Audited)												
Total assets	<u>739,419</u>	<u>472,357</u>	<u>965</u>	<u>21,118</u>	<u>1,233,859</u>	<u>516,475</u>	<u>6,352</u>	<u>522,827</u>	<u>292,054</u>	<u>(247,697)</u>	<u>1,801,043</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.
- (iv) Others mainly include the results from the laundry business in Jiangsu Province, the PRC.

Notes to the Condensed Consolidated Interim Financial Information

7 LAND USE RIGHTS

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

	(Unaudited)	(Unaudited)
	30 June	30 June
	2013	2012
	HK\$'000	HK\$'000
Opening net book amount	17,793	26,423
Amortisation (<i>Note 19</i>)	(228)	(320)
Exchange differences	283	(269)
	<u>17,848</u>	<u>25,834</u>
Closing net book amount	<u>17,848</u>	<u>25,834</u>

As at 31 December 2012, land use right with an aggregate carrying value of HK\$2,175,000 was pledged as securities for an undrawn banking facility of the Group.

8 PROPERTY, PLANT AND EQUIPMENT

	(Unaudited)	(Unaudited)
	30 June	30 June
	2013	2012
	HK\$'000	HK\$'000
Opening net book amount	230,467	333,913
Additions	13,644	14,033
Disposals	(405)	(687)
Depreciation (<i>Note 19</i>)	(18,524)	(20,197)
Exchange differences	3,408	(2,617)
	<u>228,590</u>	<u>324,445</u>
Closing net book amount	<u>228,590</u>	<u>324,445</u>

As at 31 December 2012, certain property, plant and equipment with an aggregate carrying value of HK\$22,246,000 were pledged as security for an undrawn banking facility of the Group.

Notes to the Condensed Consolidated Interim Financial Information

9 INVESTMENT PROPERTIES

	(Unaudited)	(Unaudited)
	30 June	30 June
	2013	2012
	HK\$'000	HK\$'000
Opening net book amount	206,899	110,823
Exchange differences	158	(101)
Closing net book amount	<u>207,057</u>	<u>110,722</u>

As at 30 June 2013, certain investment properties with an aggregate carrying amount of HK\$197,000,000 (31 December 2012: HK\$197,000,000) were pledged as security for a mortgage loan drawn by the Group (Note 17). As at 30 June 2013, the Directors of the Company considered that the carrying amounts of the Group's investment properties, which are carried at revalued amounts, do not differ significantly from their fair values at the balance sheet date.

10 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	(Unaudited)	(Unaudited)
	30 June	30 June
	2013	2012
	HK\$'000	HK\$'000
Opening net book amount	345,325	342,666
Exchange differences	5,519	(3,512)
Closing net book amount	<u>350,844</u>	<u>339,154</u>

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified. As at 30 June 2013, goodwill of HK\$350,844,000 is allocated to the distribution and retail business of cosmetics and fashion accessories in the PRC (31 December 2012: HK\$345,325,000).

Notes to the Condensed Consolidated Interim Financial Information

10 GOODWILL AND INTANGIBLE ASSETS (Continued)

(b) Intangible assets

	(Unaudited) 30 June 2013 HK\$'000	(Unaudited) 30 June 2012 HK\$'000
Opening net book amount	16,172	16,683
Addition	2,674	–
Amortisation (Note 19)	(1,728)	(1,110)
Exchange differences	206	(150)
	<u>17,324</u>	<u>15,423</u>
Closing net book amount	<u>17,324</u>	<u>15,423</u>

11 TRADE AND BILLS RECEIVABLES

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

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 2013 and 31 December 2012 is as follows:

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

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

12 AMOUNT DUE FROM AN ASSOCIATED COMPANY

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

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

Notes to the Condensed Consolidated Interim Financial Information

13 RESTRICTED CASH

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Restricted cash, denominated in:		
– Renminbi (“RMB”)	37,904	37,307
– United States Dollars (“USD”)	467	–
	<u>38,371</u>	<u>37,307</u>

As at 30 June 2013, the restricted cash of RMB30,000,000 (equivalent to approximately HK\$37,904,000) (31 December 2012: approximately HK\$37,307,000) served as collateral for an irrevocable letter of guarantee that provides financial assurance that the Group will fulfil its obligation with respect to a litigation as disclosed in note 25.

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

14 CASH AND CASH EQUIVALENTS

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

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

Notes to the Condensed Consolidated Interim Financial Information

15 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
Balance at 1 January 2012	669,387,293	6,694	560,626	567,320
Cancellation of ordinary shares	(18,565,146)	(186)	(14,852)	(15,038)
Balance at 30 June 2012	<u>650,822,147</u>	<u>6,508</u>	<u>545,774</u>	<u>552,282</u>
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>

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 2013.

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 2013.

On 4 September 2012, a total of 3,373,000 share 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. No share options were cancelled or forfeited during the six months ended 30 June 2013.

Notes to the Condensed Consolidated Interim Financial Information

16 SHARE-BASED COMPENSATION (Continued)

During the six months ended 30 June 2013, 694,000 options were exercised at proceeds of HK\$430,000. The related weighted average exercise price at the time of exercise was HK\$0.62 per share. No options were exercised during the six months ended 30 June 2012.

During the six months ended 30 June 2013, share-based payment expense of HK\$4,317,000 (for the six months ended 30 June 2012: HK\$4,510,000) was recognised in the interim condensed consolidated statement of comprehensive income.

17 BORROWINGS

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

Movements in borrowings are analysed as follows:

	HK\$'000
For the six months ended 30 June 2013 (Unaudited)	
At 1 January 2013	45,207
Proceeds from borrowings	30,000
Repayments of borrowings	(3,167)
At 30 June 2013	72,040
For the six months ended 30 June 2012 (Unaudited)	
At 1 January 2012	51,473
Repayments of borrowings	(3,124)
At 30 June 2012	48,349

Notes to the Condensed Consolidated Interim Financial Information

17 BORROWINGS (Continued)

In November 2009, the Group has obtained a HK\$ denominated mortgage loan, which bore interest at the lower of one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% and HK\$ Prime Rate less 1.75%, for acquiring certain properties in Hong Kong. These properties were pledged against the mortgage loan and included in investment properties in the interim condensed consolidated balance sheet of the Group, with net carrying values of HK\$197,000,000 as at 30 June 2013 (31 December 2012: HK\$197,000,000).

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

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

The Group has the following undrawn borrowing facilities:

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Floating rate:		
– expiring within one year	<u>94,800</u>	<u>200,286</u>

18 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

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

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

20 OTHER INCOME

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

Notes to the Condensed Consolidated Interim Financial Information

21 INCOME TAX EXPENSE

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

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

Hong Kong profits tax is calculated at 16.5% (for the six months ended 30 June 2012: 16.5%) on the estimated assessable profit for the period.

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

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

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.

	(Unaudited)	
	Six months ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>45,762</u>	<u>45,615</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>697,243</u>	<u>663,063</u>
Basic earnings per share attributable to equity holders of the Company (<i>HK cents</i>)	<u>6.6</u>	<u>6.8</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.

Diluted earnings per share for the six months ended 30 June 2012 is the same as the basic earnings per share as the potential conversion to ordinary shares in relation to the share options issued would have an anti-dilutive effect to the basic earnings per share.

Notes to the Condensed Consolidated Interim Financial Information

22 EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

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

23 DIVIDENDS

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

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

24 CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

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

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

25 CONTINGENT LIABILITIES

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

26 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 Company
Advance Management Consultants Limited	Provision of consultancy services	Company owned by Mr. NG Bo Kwong who is a shareholder and an independent non-executive Director (2012: non-executive Director) of the Company

Notes to the Condensed Consolidated Interim Financial Information

26 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	(Unaudited)	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
(i) Sales of goods		
– to Quality Amenities Supply (M) Sdn. Bhd.	<u>2,270</u>	<u>1,418</u>
(ii) Rental charged		
– by Ming Fai Plastic Industrial Company	458	448
– by Mr. LIU Zigang	<u>83</u>	<u>81</u>
(iii) Purchase of services from		
– Consultancy service from Advance Management Consultants Limited	–	68
– Freight and administrative charges from Quality Amenities Supply (M) Sdn. Bhd.	<u>469</u>	<u>198</u>

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

(b) Key management compensation

	(Unaudited)	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	1,788	2,013
Contributions to pension plans	53	54
Share-based payments	<u>1,146</u>	<u>616</u>
	<u>2,987</u>	<u>2,683</u>