



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 Report

2015

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. CHING Chi Fai (*Chairman*)
Mr. CHING Chi Keung
Mr. LIU Zigang
Mr. CHING Tsun Wah
Mr. KEUNG Kwok Hung

Non-executive Director:

Ms. CHAN Yim Ching (re-designated from executive Director to non-executive Director on 27 August 2015)

Independent non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

EXECUTIVE COMMITTEE

Mr. CHING Chi Fai (*Chairman*)
Mr. CHING Chi Keung
Mr. LIU Zigang
Mr. CHING Tsun Wah
Mr. KEUNG Kwok Hung

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. 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

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 2015.

FINANCIAL REVIEW

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

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

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

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

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

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

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

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

Hospitality Supplies Business

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

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

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

Retail Business

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

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

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

PROSPECTS

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

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

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

Management Discussion and Analysis

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group's cash and cash equivalents amounted to HK\$259.0 million (31 December 2014: HK\$328.4 million).

In November 2009, the Group entered into a mortgage deed with a leading bank in Hong Kong to raise HK\$64.4 million for the completion of acquisition of office premises in Central district. This facility bore interest at one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% per annum or 1.75% below Hong Kong dollars Prime Rate, whichever is lower. The facility is secured by the office premises with the maturity date on 27 November 2019. As at 30 June 2015, the outstanding borrowing of this facility amounted to HK\$29.2 million (31 December 2014: HK\$32.4 million).

Details of the borrowings are set out in Note 17 to the condensed consolidated interim financial information.

The gearing ratio as at 30 June 2015, calculated on the basis of borrowings over total equity attributable to the equity holders of the Company, was 2.2% as compared to 2.5% as at 31 December 2014.

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

CAPITAL COMMITMENTS, OPERATING LEASE COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments and operating lease commitments are set out in Note 24 to the condensed consolidated interim financial information. Other than those disclosed in Note 25, the Group does not have other material contingent liabilities as at 30 June 2015.

EMPLOYEES

As at 30 June 2015, the total number of employees of the Group was approximately 4,300 and the employee benefit expenses was approximately HK\$164.2 million. The Group offers a comprehensive remuneration package which is reviewed by the management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees to stay on top of their skills and knowledge.

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

Management Discussion and Analysis

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 2015 are as follows:

| Grantee | Date of grant | Exercise period | Exercise price per share HK\$ | Number of share options | | | | | Outstanding as at 30-06-2015 |
|--------------------------|---------------|--------------------------|----------------------------------|------------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|------------------------------|
| | | | | Outstanding as at 01-01-2015 | Granted during the period | Exercised during the period | Cancelled during the period | 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 |
| 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 | 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 | 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 |
| Ms. CHAN Yim Ching | 04-09-2012 | 04-09-2012 to 22-06-2019 | 0.62 | 2,000,000 | — | (700,000) | — | — | 1,300,000 |
| | 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 |
| Mr. LEE King Hay | 04-09-2012 | 04-09-2012 to 22-06-2019 | 0.62 | 2,000,000 | — | (2,000,000) | — | — | — |
| (retired on 21 May 2015) | 04-09-2012 | 23-06-2013 to 22-06-2019 | 0.62 | 2,000,000 | — | (2,000,000) | — | — | — |
| Employees | | | | | | | | | |
| In aggregate | 04-09-2012 | 04-09-2012 to 22-06-2019 | 0.62 | 3,382,500 | — | (50,000) | — | — | 3,332,500 |
| | 04-09-2012 | 23-06-2013 to 22-06-2019 | 0.62 | 5,039,500 ¹ | — | (194,000) | — | — | 4,845,500 |
| | 04-09-2012 | 09-09-2012 to 08-09-2021 | 0.62 | 4,921,000 ² | — | (220,000) | — | (100,000) | 4,601,000 ² |
| | 04-09-2012 | 09-09-2013 to 08-09-2021 | 0.62 | 4,971,000 ² | — | (100,000) | — | (100,000) | 4,771,000 ² |
| | 04-09-2012 | 04-09-2013 to 03-09-2022 | 0.62 | 1,050,500 | — | — | — | — | 1,050,500 |
| | 04-09-2012 | 04-09-2014 to 03-09-2022 | 0.62 | 1,162,500 | — | — | — | — | 1,162,500 |
| Total | | | | 40,860,000 | — | (5,864,000) | — | (200,000) | 34,796,000 |

Notes:

- Included in employees were 194,000 options granted to Mr. LEE King Keung, being spouse of Ms. CHAN Yim Ching who is a non-executive Director of the Company (she was re-designated from executive Director to non-executive Director on 27 August 2015).
- 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.

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

As at 30 June 2015, 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 for Securities Transactions by Directors of Listed Issuers (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 | 23.45% |
| | Personal (Note 2 & Note 10) | 13,844,000 | 1.97% |
| Mr. CHING Chi Keung | Corporate (Note 3) | 32,499,600 | 4.61% |
| | Personal (Note 10) | 4,000,000 | 0.57% |
| Mr. LIU Zigang | Corporate (Note 4) | 20,057,200 | 2.85% |
| | Personal (Note 10) | 4,000,000 | 0.57% |
| Mr. CHING Tsun Wah | Personal (Note 5 and Note 10) | 3,168,930 | 0.45% |
| | Family (Note 6) | 775,000 | 0.11% |
| Mr. KEUNG Kwok Hung | Personal (Note 10) | 1,158,000 | 0.16% |
| Ms. CHAN Yim Ching | Corporate (Note 3) | 32,499,600 | 4.61% |
| | Personal (Note 10) | 3,300,000 | 0.47% |
| | Family (Note 7) | 194,000 | 0.03% |
| Mr. HUNG Kam Hung Allan | Personal (Note 10) | 600,000 | 0.09% |
| Mr. SUN Kai Lit Cliff | Personal (Note 8 & Note 10) | 600,000 | 0.09% |
| Mr. MA Chun Fung Horace | Personal | 600,000 | 0.09% |
| Mr. NG Bo Kwong | Personal (Note 9 & Note 10) | 600,000 | 0.09% |
| Mr. LEE King Hay (retired on 21 May 2015) | Personal | 7,690,000 | 1.09% |

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 13,244,000 shares and options to subscribe for 600,000 shares.
3. These shares are owned by Targetwise Trading Limited, which is owned as to 50% and 50% by Mr. CHING Chi Keung and Ms. CHAN Yim Ching respectively.
4. These shares are owned by Favour Power Limited, which is wholly-owned by Mr. LIU Zigang.
5. Mr. CHING Tsun Wah held 2,393,930 shares and options to subscribe for 775,000 shares.
6. Ms. SO Wai Yin Tracy held options to subscribe for 775,000 shares. Mr. CHING Tsun Wah, being Ms. SO's spouse, was deemed to be interested in the 775,000 shares held by Ms. SO by virtue of Part XV of the SFO.
7. Mr. LEE King Keung held 194,000 shares. Ms. CHAN Yim Ching, being Mr. LEE's spouse, was deemed to be interested in the 194,000 shares held by Mr. LEE by virtue of Part XV of the SFO.
8. Mr. SUN Kai Lit Cliff held 300,000 shares and options to subscribe for 300,000 shares.
9. Mr. NG Bo Kwong held 300,000 shares and options to subscribe for 300,000 shares.
10. Options granted to the above Directors under the Share Option Scheme as at 30 June 2015 are set out the section headed "Share Option Scheme" above.

Management Discussion and Analysis

Save as disclosed above, as at 30 June 2015, 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 2015, 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) | 23.45% |
| Ms. LO Kit Ling | Family interest | 179,010,600 (Note 1) | 25.41% |
| Ms. PO Fung Kiu | Family interest | 36,499,600 (Note 2) | 5.18% |
| Mr. LEE King Keung | Personal and Family Interest | 35,993,600 (Note 3) | 5.11% |
| Atlantis Capital Holdings Limited | Interest of controlled corporation | 48,000,000 (Note 4) | 6.81% |
| Ms. LIU Yang | Interest of controlled corporation | 48,000,000 (Note 4) | 6.81% |
| American Hotel Register Company | Beneficial owner | 45,585,550 (Note 5) | 6.47% |
| Mr. Kevin Christopher LEAHY | Interest of controlled corporation | 45,585,550 (Note 5) | 6.47% |
| Mr. Sean Fitzpatrick LEAHY | Interest of controlled corporation | 45,585,550 (Note 5) | 6.47% |

Notes:

- 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 13,244,000 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 179,010,600 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. Mr. LEE, being Ms. CHAN Yim Ching's spouse, was deemed to be interested in the 35,799,600 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 shares held by Mr. LEE King Keung was 35,993,600.
- Atlantis Capital Holdings Limited is 100% controlled by Ms. LIU Yang.
- 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 2015, neither the Company nor any of its subsidiaries purchased, redeemed or sold any listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Group has complied with all the code provisions set out in the Corporate Governance Code (the "Code") during the six months ended 30 June 2015 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 2015.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions on 5 October 2007. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirements set out under the Model Code for the six months ended 30 June 2015.

Management Discussion and Analysis

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 24 September 2015 to Tuesday, 29 September 2015 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 23 September 2015.

CHANGES IN INFORMATION OF DIRECTOR

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

Ms. CHAN Yim Ching was re-designated from an executive Director to a non-executive Director and ceased to be a member of the Executive Committee of the Company with effect from 27 August 2015. She is entitled to a director's fee of HK\$54,080 per month for the period from 27 August 2015 to 31 December 2015 and HK\$150,000 per annum commencing from 1 January 2016 onwards.

Interim Condensed Consolidated Balance Sheet

| | Note | (Unaudited) 30 June 2015 HK\$'000 | (Audited) 31 December 2014 HK\$'000 |
|---|-------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 10(a) | 346,624 | 347,248 |
| Land use rights | 7 | 18,082 | 18,365 |
| Property, plant and equipment | 8 | 209,617 | 209,744 |
| Investment properties | 9 | 207,536 | 207,554 |
| Intangible assets | 10(b) | 12,074 | 13,283 |
| Investment in an associated company | | 1,038 | 982 |
| Investments in joint ventures | | 569 | 649 |
| Long-term prepayments | | 34,774 | 22,393 |
| Deferred income tax assets | | 7,852 | 8,192 |
| Total non-current assets | | 838,166 | 828,410 |
| Current assets | | | |
| Inventories | | 191,320 | 213,028 |
| Prepaid tax | | — | 436 |
| Amount due from an associated company | 12 | 4,383 | 4,286 |
| Amounts due from joint ventures | | 43 | 30 |
| Deposits, prepayments and other receivables | | 48,198 | 62,464 |
| Trade and bills receivables | 11 | 481,919 | 448,732 |
| Restricted cash | 13 | 37,448 | 37,515 |
| Cash and cash equivalents | 14 | 258,976 | 328,410 |
| Total current assets | | 1,022,287 | 1,094,901 |
| Total assets | | 1,860,453 | 1,923,311 |
| EQUITY | | | |
| Equity attributable to the equity holders of the Company | | | |
| Share capital | 15 | 7,045 | 6,986 |
| Share premium | 15 | 595,076 | 591,499 |
| Other reserves | | 721,252 | 691,874 |
| Proposed interim/final dividend | 23 | 14,089 | 20,958 |
| | | 1,337,462 | 1,311,317 |
| Non-controlling interests | | (16,759) | (14,925) |
| Total equity | | 1,320,703 | 1,296,392 |

The notes on pages 19 to 40 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Balance Sheet

| | <i>Note</i> | (Unaudited) 30 June 2015 HK\$'000 | (Audited) 31 December 2014 HK\$'000 |
|--|-------------|--|--|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term bank borrowings | 17 | 22,713 | 25,971 |
| Deferred income tax liabilities | | 5,330 | 5,555 |
| Total non-current liabilities | | 28,043 | 31,526 |
| Current liabilities | | | |
| Loans from non-controlling interests | | 12,217 | 10,526 |
| Current portion of long-term bank borrowings | 17 | 6,503 | 6,473 |
| Dividends payable | | 54 | 39 |
| Current income tax liabilities | | 23,707 | 20,837 |
| Accruals and other payables | | 274,137 | 304,955 |
| Trade payables | 18 | 195,089 | 252,563 |
| Total current liabilities | | 511,707 | 595,393 |
| Total liabilities | | 539,750 | 626,919 |
| Total equity and liabilities | | 1,860,453 | 1,923,311 |
| Net current assets | | 510,580 | 499,508 |
| Total assets less current liabilities | | 1,348,746 | 1,327,918 |

The notes on pages 19 to 40 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

| | | (Unaudited) Six months ended 30 June | |
|--|-------|---|------------------|
| | Note | 2015 HK\$'000 | 2014 HK\$'000 |
| Revenue | 6 | 841,521 | 767,391 |
| Cost of sales | 19 | (638,201) | (574,377) |
| Gross profit | | 203,320 | 193,014 |
| Distribution costs | 19 | (91,982) | (89,674) |
| Administrative expenses | 19 | (56,220) | (57,124) |
| Other income | 20 | 4,170 | 3,904 |
| Operating profit | | 59,288 | 50,120 |
| Finance income | | 596 | 729 |
| Finance costs | | (193) | (208) |
| Share of profit/(loss) of an associated company | | 56 | (11) |
| Share of losses of joint ventures | | (80) | (155) |
| Profit before income tax | | 59,667 | 50,475 |
| Income tax expenses | 21 | (16,288) | (11,880) |
| Profit for the period | | 43,379 | 38,595 |
| Other comprehensive loss, net of tax | | | |
| <i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i> | | | |
| Currency translation differences | | (1,281) | (14,947) |
| Realisation of exchange reserve upon disposal of a subsidiary | | — | (78) |
| Total comprehensive income for the period | | 42,098 | 23,570 |
| Profit/(loss) for the period attributable to: | | | |
| Equity holders of the Company | | 44,893 | 41,125 |
| Non-controlling interests | | (1,514) | (2,530) |
| | | 43,379 | 38,595 |
| Total comprehensive income/(loss) for the period attributable to: | | | |
| Equity holders of the Company | | 43,610 | 26,104 |
| Non-controlling interests | | (1,512) | (2,534) |
| | | 42,098 | 23,570 |
| Earnings per share attributable to equity holders of the Company (HK cents) | | | |
| Basic | 22(a) | 6.4 | 5.9 |
| Diluted | 22(b) | 6.3 | 5.8 |
| Proposed interim dividend per share (HK cents) | 23 | 2.0 | 1.5 |

The notes on pages 19 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 | | |
| | Balance at 1 January 2014 | 6,977 | 590,935 | 687,618 | | |
| Total comprehensive income/(loss) for the period | — | — | 26,104 | 26,104 | (2,534) | 23,570 |
| Transactions with owners, recognised directly in equity: | | | | | | |
| Exercise of share options (<i>Note 15</i>) | 1 | 61 | — | 62 | — | 62 |
| Capital injection from non-controlling interests | — | — | — | — | 51 | 51 |
| Share-based compensation (<i>Note 16</i>) | — | — | 48 | 48 | — | 48 |
| Disposal of a subsidiary | — | — | — | — | 2,156 | 2,156 |
| Dividends relating to 2013 paid in 2014 | — | — | (13,955) | (13,955) | — | (13,955) |
| Total transactions with owners, recognised directly in equity | 1 | 61 | (13,907) | (13,845) | 2,207 | (11,638) |
| Balance at 30 June 2014 | 6,978 | 590,996 | 699,815 | 1,297,789 | (12,989) | 1,284,800 |

The notes on pages 19 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) | | | | | |
|--|--|------------------|-------------------|-----------|----------------------------------|-----------------|
| | Share capital | Share premium | Other reserves | Sub-total | Non- controlling interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balance at 1 January 2015 | 6,986 | 591,499 | 712,832 | 1,311,317 | (14,925) | 1,296,392 |
| Total comprehensive income/(loss) for the period | — | — | 43,610 | 43,610 | (1,512) | 42,098 |
| Transactions with owners, recognised directly in equity: | | | | | | |
| Exercise of share options (<i>Note 15</i>) | 59 | 3,577 | — | 3,636 | — | 3,636 |
| Dividends relating to 2014 paid in 2015 | — | — | (21,101) | (21,101) | — | (21,101) |
| Dividends paid to a non-controlling interest | — | — | — | — | (322) | (322) |
| Total transactions with owners, recognised directly in equity | 59 | 3,577 | (21,101) | (17,465) | (322) | (17,787) |
| Balance at 30 June 2015 | 7,045 | 595,076 | 735,341 | 1,337,462 | (16,759) | 1,320,703 |
| Representing: | | | | | | |
| Share capital, share premium and other reserves | | | | | | 1,323,373 |
| Proposed interim dividends (<i>Note 23</i>) | | | | | | 14,089 |
| | | | | | | 1,337,462 |
| Non-controlling interests | | | | | | (16,759) |
| Balance at 30 June 2015 | | | | | | 1,320,703 |

The notes on pages 19 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 | |
| | 2015 HK\$'000 | 2014 HK\$'000 |
| Cash flows from operating activities | | |
| Cash (used in)/generated from operations | (19,388) | 57,742 |
| Finance interests paid | (193) | (208) |
| Income tax paid | (12,842) | (18,104) |
| Net cash (used in)/generated from operating activities | (32,423) | 39,430 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (17,903) | (19,684) |
| Purchase of land use rights | — | (1,416) |
| Purchase of intangible assets | (434) | (48) |
| Proceeds from disposal of property, plant and equipment | 240 | 156 |
| Net cash outflows arising from disposal of a subsidiary | — | (623) |
| Finance interests received | 596 | 729 |
| Net cash used in investing activities | (17,501) | (20,886) |
| Cash flows from financing activities | | |
| Repayments of borrowings | (3,228) | (3,200) |
| Dividends paid to equity holders | (21,423) | (13,946) |
| Proceeds from exercise of share options | 3,636 | 62 |
| Capital injection from non-controlling interests | — | 51 |
| Proceeds from loans from non-controlling interests | 1,691 | 1,666 |
| Net cash used in financing activities | (19,324) | (15,367) |
| Net (decrease)/increase in cash and cash equivalents | (69,248) | 3,177 |
| Cash and cash equivalents at beginning of the period | 328,410 | 343,800 |
| Exchange losses on cash and cash equivalents | (186) | (289) |
| Cash and cash equivalents at end of the period | 258,976 | 346,688 |

The notes on pages 19 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”).

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.

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 27 August 2015.

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 2015 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES

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

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

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

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

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 2014.

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 2014.

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.

Notes to the Condensed Consolidated Interim Financial Information

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. 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

There were no transfers among Level 1, Level 2 and 3 during the period.

There were no other changes in valuation techniques during the period.

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. Altogether, the Group has two reportable segments: (a) manufacturing and distribution business of amenity products and (b) distribution and retail business of cosmetics and fashion accessories.

The Board assesses the performance of the operating segments based on a measure of profit/(loss) before income tax, share of profit of an associated company and share of losses of joint ventures.

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

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

Geographical

| | Manufacturing and distribution business of amenity products | | | | | | | Distribution and retail business of cosmetics and fashion accessories | | | Others | Total | |
|---|---|----------|----------|-----------|-----------|---|--------------------|---|----------|----------|----------|-------|----------|
| | North America | | The PRC | Hong Kong | Australia | Other Asia Pacific countries (Note (i)) | Others (Note (ii)) | Hong Kong | | | | | |
| | 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 2015 (Unaudited) | | | | | | | | | | | | | |
| Segment revenue | 217,424 | 100,045 | 253,812 | 105,337 | 20,732 | 123,316 | 2,688 | 823,354 | 24,419 | 212 | 24,631 | — | 847,985 |
| Inter-segment revenue | — | — | (6,147) | (67) | — | — | — | (6,214) | (249) | (1) | (250) | — | (6,464) |
| Revenue from external customers | 217,424 | 100,045 | 247,665 | 105,270 | 20,732 | 123,316 | 2,688 | 817,140 | 24,170 | 211 | 24,381 | — | 841,521 |
| Segment profit/(loss) before income tax | 32,423 | 9,645 | 13,284 | 9,733 | 800 | 12,306 | 383 | 78,574 | (15,973) | (2,480) | (18,453) | (430) | 59,691 |
| Share of profit of an associated company | | | | | | | | | | | | | 56 |
| Share of losses of joint ventures | | | | | | | | | | | | | (80) |
| Income tax expenses | | | | | | | | | | | | | (16,288) |
| Profit for the period | | | | | | | | | | | | | 43,379 |

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)) | 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 | 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 | |

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

Notes 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.

| | (Unaudited) 30 June 2015 HK\$'000 | (Unaudited) 30 June 2014 HK\$'000 |
|-------------------------|--|--|
| Opening net book amount | 18,365 | 17,834 |
| Additions | — | 1,416 |
| Amortisation (Note 19) | (249) | (235) |
| Exchange differences | (34) | (459) |
| Closing net book amount | 18,082 | 18,556 |

As at 30 June 2015, land use right with an aggregate carrying value of HK\$2,038,000 (31 December 2014: HK\$2,071,000) was pledged as securities for an undrawn banking facility of the Group (Note 17).

8 PROPERTY, PLANT AND EQUIPMENT

| | (Unaudited) 30 June 2015 HK\$'000 | (Unaudited) 30 June 2014 HK\$'000 |
|--------------------------|--|--|
| Opening net book amount | 209,744 | 217,418 |
| Additions | 17,903 | 19,684 |
| Disposals | (152) | (454) |
| Disposal of a subsidiary | — | (2,302) |
| Depreciation (Note 19) | (17,496) | (17,429) |
| Exchange differences | (382) | (5,156) |
| Closing net book amount | 209,617 | 211,761 |

As at 30 June 2015, certain property, plant and equipment with an aggregate carrying value of HK\$16,927,000 (31 December 2014: HK\$18,040,000) 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

| | (Unaudited) 30 June 2015 HK\$'000 | (Unaudited) 30 June 2014 HK\$'000 |
|-------------------------|--|--|
| Opening net book amount | 207,554 | 207,180 |
| Exchange differences | (18) | (258) |
| Closing net book amount | 207,536 | 206,922 |

- (a) 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 2015 and 31 December 2014. 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

| | Fair value measurements at 30 June 2015 using | | |
|---|--|--|---|
| | Quoted price in active markets for identical assets (Level 1) HK\$'000 | Significant other observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 |
| Recurring fair value measurements: Investment properties | — | 207,536 | — |

| | Fair value measurements at 31 December 2014 using | | |
|---|--|--|---|
| | Quoted price in active markets for identical assets (Level 1) HK\$'000 | Significant other observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 |
| Recurring fair value measurements: Investment properties | — | 207,554 | — |

Notes to the Condensed Consolidated Interim Financial Information

9 INVESTMENT PROPERTIES (Continued)

(a) 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 2015, certain investment properties with an aggregate carrying amount of HK\$197,600,000 (31 December 2014: HK\$197,600,000) were pledged as security for a mortgage loan drawn by the Group (Note 17).

10 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

| | (Unaudited) 30 June 2015 HK\$'000 | (Unaudited) 30 June 2014 HK\$'000 |
|-------------------------|--|--|
| Opening net book amount | 347,248 | 355,135 |
| Exchange differences | (624) | (8,997) |
| Closing net book amount | 346,624 | 346,138 |

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified. As at 30 June 2015, goodwill of HK\$346,624,000 is allocated to the distribution and retail business of cosmetic and fashion accessories in the PRC (31 December 2014: HK\$347,248,000).

Notes to the Condensed Consolidated Interim Financial Information

10 GOODWILL AND INTANGIBLE ASSETS (Continued)

(b) Intangible assets

| | (Unaudited) 30 June 2015 HK\$'000 | (Unaudited) 30 June 2014 HK\$'000 |
|-------------------------|--|--|
| Opening net book amount | 13,283 | 16,322 |
| Additions | 434 | 48 |
| Amortisation (Note 19) | (1,623) | (1,535) |
| Exchange differences | (20) | (296) |
| Closing net book amount | 12,074 | 14,539 |

11 TRADE AND BILLS RECEIVABLES

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

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 2015 and 31 December 2014 is as follows:

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

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:

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

Notes to the Condensed Consolidated Interim Financial Information

13 RESTRICTED CASH

| | (Unaudited) 30 June 2015 HK\$'000 | (Audited) 31 December 2014 HK\$'000 |
|-----------------|--|--|
| Restricted cash | 37,448 | 37,515 |

As at 30 June 2015, the restricted cash of Renminbi ("RMB") 30,000,000 (equivalent to approximately HK\$37,448,000) (31 December 2014: RMB30,000,000 (equivalent to approximately HK\$37,515,000)) was placed as collateral for an irrevocable letter of guarantee that provides financial assurance that the Group will fulfil its obligation with respect to a litigation as disclosed in Note 25.

14 CASH AND CASH EQUIVALENTS

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

The Group's cash and bank balances amounted to approximately HK\$116,517,000 (31 December 2014: HK\$138,185,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

Notes to the Condensed Consolidated Interim Financial Information

15 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

| | Number of shares | Share capital HK\$'000 | Share premium HK\$'000 | Total HK\$'000 |
|--|---------------------|------------------------------|------------------------------|-------------------|
| Balance at 1 January 2015 | 698,587,697 | 6,986 | 591,499 | 598,485 |
| Proceeds from shares issued | | | | |
| — employee share option scheme (Note 16) | 5,864,000 | 59 | 3,577 | 3,636 |
| Balance at 30 June 2015 | 704,451,697 | 7,045 | 595,076 | 602,121 |
| Balance at 1 January 2014 | 697,663,697 | 6,977 | 590,935 | 597,912 |
| Proceeds from shares issued | | | | |
| — employee share option scheme (Note 16) | 100,000 | 1 | 61 | 62 |
| Balance at 30 June 2014 | 697,763,697 | 6,978 | 590,996 | 597,974 |

16 SHARE-BASED COMPENSATION

As at 30 June 2015, 34,796,000 share options were outstanding and all are exercisable (31 December 2014: 40,860,000). Among the outstanding share options, 21,278,000, 11,305,000 and 2,213,000 share options will lapse on 23 June 2019, 9 September 2021 and 4 September 2022, respectively.

During the six months ended 30 June 2015, 5,864,000 options were exercised at proceeds of HK\$3,636,000. The related weighted average exercise price at the time of exercise was HK\$0.62 per share. 100,000 options were exercised during the six months ended 30 June 2014.

During the six months ended 30 June 2015, 200,000 options were lapsed or cancelled (for the six months ended 30 June 2014: 488,000).

As all the share options were fully vested, no share-based payment expense was recognized during the six months ended 30 June 2015 (for the six months ended 30 June 2014: HK\$48,000).

Notes to the Condensed Consolidated Interim Financial Information

17 BORROWINGS

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

In November 2009, the Group has obtained a HK\$ denominated mortgage loan, which bore interest at the lower of one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% and HK\$ Prime Rate less 1.75%, for acquiring certain properties in Hong Kong. These properties were pledged against the mortgage loan and were included in investment properties in the interim condensed consolidated balance sheet of the Group, with net carrying values of HK\$197,600,000 as at 30 June 2015 (31 December 2014: HK\$197,600,000).

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

Movements in borrowings are analysed as follows:

| | HK\$'000 |
|--|---------------|
| For the six months ended 30 June 2015 (Unaudited) | |
| At 1 January 2015 | 32,444 |
| Repayments of borrowings | (3,228) |
| At 30 June 2015 | 29,216 |
| For the six months ended 30 June 2014 (Unaudited) | |
| At 1 January 2014 | 38,857 |
| Repayments of borrowings | (3,200) |
| At 30 June 2014 | 35,657 |

Notes to the Condensed Consolidated Interim Financial Information

17 BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

| | (Unaudited) 30 June 2015 HK\$'000 | (Audited) 31 December 2014 HK\$'000 |
|--|--|--|
| Floating rate: — expiring within one year | 249,625 | 249,850 |

18 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

| | (Unaudited) 30 June 2015 HK\$'000 | (Audited) 31 December 2014 HK\$'000 |
|--------------|--|--|
| Current | 129,606 | 176,764 |
| 1 – 30 days | 48,351 | 56,236 |
| 31 – 60 days | 6,713 | 10,785 |
| 61 – 90 days | 2,608 | 3,372 |
| Over 90 days | 7,811 | 5,406 |
| | 195,089 | 252,563 |

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

20 OTHER INCOME

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

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:

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

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

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

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.

| | (Unaudited) Six months ended 30 June | |
|--|---|---------|
| | 2015 | 2014 |
| Earnings | | |
| Profit attributable to equity holders of the Company <i>(HK\$'000)</i> | 44,893 | 41,125 |
| Weighted average number of ordinary shares in issue <i>(thousands)</i> | 700,531 | 697,707 |
| Basic earnings per share attributable to equity holders of the Company <i>(HK cents)</i> | 6.4 | 5.9 |

Notes to the Condensed Consolidated Interim Financial Information

22 EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share attributable to equity holders of the Company is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options as dilutive potential shares. A calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average historical market price of the shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

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

23 DIVIDENDS

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

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

24 CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

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

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

25 PROVISION FOR LEGAL COMPENSATION

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

Notes to the Condensed Consolidated Interim Financial Information

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 | Holding of investment properties | 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) ("iBridge Technology") | Provision of information technology services | Joint venture of the Group |

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 | |
| | | 2015 | 2014 |
| | | HK\$'000 | HK\$'000 |
| (i) | Sales of goods — to Quality Amenities Supply (M) Sdn. Bhd. | 3,954 | 2,444 |
| (ii) | Rental charged — by Ming Fai Plastic Industrial Company — by Mr. LIU Zigang | 454 82 | 457 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 | 565 213 | 370 125 |

- (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.

Notes to the Condensed Consolidated Interim Financial Information

26 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

| | (Unaudited) Six months ended 30 June | |
|--|---|--------------------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 |
| Basic salaries, housing allowances, other allowances and benefits-in-kind | 3,072 | 1,819 |
| Contributions to pension plans | 76 | 54 |
| | 3,148 | 1,873 |