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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3828)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the “Board”) of Ming Fai International Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2014	2013
	Note	HK\$'000	HK\$'000
Revenue	3	1,626,016	1,683,999
Cost of sales	4	<u>(1,235,497)</u>	<u>(1,281,528)</u>
Gross profit		390,519	402,471
Distribution costs	4	(196,900)	(199,219)
Administrative expenses	4	(125,742)	(119,759)
Other income	5	8,035	9,307
Impairment of property, plant and equipment		—	(4,315)
Provision for legal compensation	17	<u>—</u>	<u>(26,349)</u>
Operating profit		75,912	62,136
Finance income		2,239	1,604
Finance costs	12	(408)	(798)
Share of profit of an associated company		255	141
Share of losses of joint ventures		(382)	(19)
Fair value gains on investment properties		<u>600</u>	<u>—</u>
Profit before income tax		78,216	63,064
Income tax expenses	6	<u>(19,483)</u>	<u>(27,984)</u>
Profit for the year		<u>58,733</u>	<u>35,080</u>

		For the year ended	
		31 December	
		2014	2013
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (loss)/income			
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(13,539)	16,919
Realisation of exchange reserve upon disposal and dissolution of subsidiaries		<u>(210)</u>	<u>—</u>
Total comprehensive income for the year		<u>44,984</u>	<u>51,999</u>
Profit/(loss) attributable to:			
Equity holders of the Company		63,264	40,011
Non-controlling interests		<u>(4,531)</u>	<u>(4,931)</u>
		<u>58,733</u>	<u>35,080</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		49,578	56,951
Non-controlling interests		<u>(4,594)</u>	<u>(4,952)</u>
		<u>44,984</u>	<u>51,999</u>
Earnings per share attributable to equity holders of the Company (Expressed in HK cents)			
— Basic	<i>14</i>	9.1	5.7
— Diluted	<i>14</i>	<u>9.0</u>	<u>5.6</u>
Dividends			
Interim dividend paid	<i>15</i>	10,474	10,463
Proposed final dividend	<i>15</i>	<u>20,958</u>	<u>13,954</u>
		<u>31,432</u>	<u>24,417</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2014	2013
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Goodwill		347,248	355,135
Land use rights		18,365	17,834
Property, plant and equipment		209,744	217,418
Investment properties		207,554	207,180
Intangible assets		13,283	16,322
Long-term prepayments		22,393	19,091
Investment in an associated company		982	751
Investments in joint ventures		649	1,031
Deferred income tax assets		<u>8,192</u>	<u>8,433</u>
Total non-current assets		<u>828,410</u>	<u>843,195</u>
Current assets			
Inventories		213,028	190,456
Trade and bills receivables	7	448,732	415,761
Amount due from an associated company	8	4,286	3,146
Amounts due from joint ventures		30	30
Prepaid tax		436	381
Deposits, prepayments and other receivables		62,464	63,688
Restricted cash	9	37,515	38,367
Cash and cash equivalents	10	<u>328,410</u>	<u>343,800</u>
Total current assets		<u>1,094,901</u>	<u>1,055,629</u>
Total assets		<u>1,923,311</u>	<u>1,898,824</u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	13	6,986	6,977
Share premium	13	591,499	590,935
Other reserves		691,874	673,664
Proposed final dividend	15	<u>20,958</u>	<u>13,954</u>
		<u>1,311,317</u>	<u>1,285,530</u>
Non-controlling interests		<u>(14,925)</u>	<u>(12,662)</u>
Total equity		<u>1,296,392</u>	<u>1,272,868</u>

		As at 31 December	
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	12	25,971	32,444
Deferred income tax liabilities		<u>5,555</u>	<u>5,912</u>
Total non-current liabilities		<u>31,526</u>	<u>38,356</u>
Current liabilities			
Current portion of long-term bank borrowings	12	6,473	6,413
Trade payables	11	252,563	233,215
Accruals and other payables		304,955	300,194
Current income tax liabilities		20,837	41,229
Loans from non-controlling interests		10,526	6,521
Dividends payable		<u>39</u>	<u>28</u>
Total current liabilities		<u>595,393</u>	<u>587,600</u>
Total liabilities		<u>626,919</u>	<u>625,956</u>
Total equity and liabilities		<u>1,923,311</u>	<u>1,898,824</u>
Net current assets		<u>499,508</u>	<u>468,029</u>
Total assets less current liabilities		<u>1,327,918</u>	<u>1,311,224</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Sub-total HK\$'000		
Balance at 1 January 2013	6,968	590,413	653,734	1,251,115	(7,710)	1,243,405
Comprehensive income						
Profit/(loss) for the year	—	—	40,011	40,011	(4,931)	35,080
Other comprehensive income						
Currency translation differences	—	—	16,940	16,940	(21)	16,919
Total comprehensive income/(loss)	—	—	56,951	56,951	(4,952)	51,999
Final dividend relating to 2012	—	—	(17,438)	(17,438)	—	(17,438)
Interim dividend relating to 2013	—	—	(10,463)	(10,463)	—	(10,463)
Exercise of share options (Note 13)	9	522	—	531	—	531
Share-based compensation	—	—	4,834	4,834	—	4,834
Balance at 31 December 2013	<u>6,977</u>	<u>590,935</u>	<u>687,618</u>	<u>1,285,530</u>	<u>(12,662)</u>	<u>1,272,868</u>
Balance at 1 January 2014	6,977	590,935	687,618	1,285,530	(12,662)	1,272,868
Comprehensive income						
Profit/(loss) for the year	—	—	63,264	63,264	(4,531)	58,733
Other comprehensive income						
Currency translation differences	—	—	(13,550)	(13,550)	11	(13,539)
Realisation of exchange reserve upon disposal and dissolution of subsidiaries	—	—	(136)	(136)	(74)	(210)
Total comprehensive income/(loss)	—	—	49,578	49,578	(4,594)	44,984
Final dividend relating to 2013 (Note 15)	—	—	(13,955)	(13,955)	—	(13,955)
Interim dividend relating to 2014 (Note 15)	—	—	(10,474)	(10,474)	—	(10,474)
Capital injection from non-controlling interests	—	—	—	—	100	100
Disposal of a subsidiary	—	—	—	—	2,231	2,231
Exercise of share options (Note 13)	9	564	—	573	—	573
Share-based compensation	—	—	65	65	—	65
Balance at 31 December 2014	<u>6,986</u>	<u>591,499</u>	<u>712,832</u>	<u>1,311,317</u>	<u>(14,925)</u>	<u>1,296,392</u>

NOTES:

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

This consolidated financial information is presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated.

2 ACCOUNTING POLICIES

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

There is no new standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 that are material to the Group.

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in Hong Kong Accounting Standard (“HKAS”) 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the

mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit and loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9’s full impact.

HKFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 ‘Revenue’ and HKAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRS or Hong Kong (International Financial Reporting Interpretations Committee) (“HK(IFRIC)”) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reports 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 products and fashion accessories in the People's Republic of China (the "PRC") through retail chain outlets. Altogether, the Group has two reportable segments: (a) manufacturing and distribution business of amenity products and (b) distribution and retail business of cosmetics and fashion accessories.

The Board assesses the performance of the operating segments based on a measure of profit/(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 consolidated financial statements.

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

Geographical

	Manufacturing and distribution business of amenity products							Distribution and retail business of cosmetics and fashion accessories			Others		
	North America		The PRC	Hong Kong	Australia	Other Asia Pacific countries	Others	The PRC	Hong Kong	Sub-total	Inter-segment elimination	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Year ended 31 December 2014													
Segment revenue	396,636	192,539	492,501	178,289	41,831	227,975	6,798	1,536,569	85,731	1,899	87,630	7,817	1,632,016
Inter-segment revenue	—	—	(5,293)	(688)	—	—	—	(5,981)	(7)	(12)	(19)	—	(6,000)
Revenue from external customers	396,636	192,539	487,208	177,601	41,831	227,975	6,798	1,530,588	85,724	1,887	87,611	7,817	1,626,016
Earnings/(loss) before interest, taxes, depreciation, amortisation (“EBITDA”) and fair value gains on investment properties	56,505	18,343	37,174	13,018	1,601	27,626	871	155,138	(33,373)	(4,975)	(38,348)	(1,659)	115,131
Fair value gains on investment properties	—	—	—	—	—	—	—	—	—	—	—	600	600
Depreciation	(6,904)	(3,352)	(8,481)	(3,092)	(728)	(3,968)	(118)	(26,643)	(2,301)	(399)	(2,700)	(6,307)	(35,650)
Amortisation	(422)	(205)	(518)	(189)	(44)	(242)	(7)	(1,627)	(1,758)	(78)	(1,836)	(106)	(3,569)
Finance income	—	—	1,850	372	—	2	—	2,224	4	—	4	11	2,239
Finance costs	—	—	(18)	(2)	—	(42)	—	(62)	—	—	—	(346)	(408)
Segment profit/(loss) before income tax	49,179	14,786	30,007	10,107	829	23,376	746	129,030	(37,428)	(5,452)	(42,880)	(7,807)	78,343
Share of profit of an associated company													255
Share of losses of joint ventures													(382)
Income tax expenses													(19,483)
Profit for the year													<u>58,733</u>
	Manufacturing and distribution business of amenity products					Distribution and retail business of cosmetics and fashion accessories			Others		Inter-segment elimination	Total	
	The PRC	Hong Kong	Australia	Other locations	Sub-total	The PRC	Hong Kong	Sub-total	HK\$'000	HK\$'000			
	HK\$'000	HK\$'000	HK\$'000	(Note iii) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
As at 31 December 2014													
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	
Include:													
Investment in an associated company	—	982	—	—	982	—	—	—	—	—	—	982	
Investments in joint ventures	—	—	—	649	649	—	—	—	—	—	—	649	
Additions to non-current assets (other than deferred income tax assets)	34,189	1,681	15	—	35,885	7,826	469	8,295	14	—	—	44,194	
Total liabilities	374,157	146,943	30	5,057	526,187	162,476	35,920	198,396	201,080	(298,744)		626,919	

	Manufacturing and distribution business of amenity products							Distribution and retail business of cosmetics and fashion accessories			Others	
	North		The PRC	Hong Kong	Australia	Other Asia Pacific countries (Note i)	Others (Note ii)	Sub-total	The PRC	Hong Kong	Sub-total	Total
	America	Europe										
Year ended 31 December 2013												
Segment revenue	452,102	194,892	453,642	188,708	36,392	204,003	8,569	1,538,308	131,196	3,949	135,145	1,689,614
Inter-segment revenue	—	—	(5,566)	—	—	—	—	(5,566)	—	(49)	(49)	(5,615)
Revenue from external customers	452,102	194,892	448,076	188,708	36,392	204,003	8,569	1,532,742	131,196	3,900	135,096	1,683,999
EBITDA, impairment of property, plant and equipment and provision for legal compensation	62,167	20,826	47,059	13,503	1,874	24,445	1,273	171,147	(25,197)	(4,780)	(29,977)	(6,196)
Impairment of property, plant and equipment	—	—	—	—	—	—	—	—	—	—	—	(4,315)
Depreciation	(8,574)	(3,696)	(8,498)	(3,579)	(690)	(3,869)	(162)	(29,068)	(2,250)	(223)	(2,473)	(6,880)
Amortisation	(480)	(207)	(475)	(200)	(39)	(216)	(9)	(1,626)	(1,759)	(263)	(2,022)	(105)
Finance income	—	—	1,509	66	—	—	—	1,575	24	—	24	5
Finance costs	—	—	(21)	(368)	—	—	—	(389)	—	—	—	(409)
Segment profit/(loss) before income tax	53,113	16,923	39,574	9,422	1,145	20,360	1,102	141,639	(29,182)	(5,266)	(34,448)	(17,900)
Share of profit of an associated company												141
Share of losses of joint ventures												(19)
Provision for legal compensation												(26,349)
Income tax expenses												(27,984)
Profit for the year												<u>35,080</u>

	Manufacturing and distribution business of amenity products					Distribution and retail business of cosmetics and fashion accessories			Others		
	The PRC	Hong Kong	Australia	Other locations (Note iii)	Sub-total	The PRC	Hong Kong	Sub-total	Inter-segment elimination	Total	
											HK\$'000
As at 31 December 2013											
Total assets	751,475	605,467	973	29,583	1,387,498	479,844	4,822	484,666	298,813	(272,153)	1,898,824
Include:											
Investment in an associated company	—	751	—	—	751	—	—	—	—	—	751
Investments in joint ventures	—	—	—	1,031	1,031	—	—	—	—	—	1,031
Additions to non-current assets (other than deferred income tax assets)	19,309	3,579	27	1,006	23,921	11,181	1,308	12,489	1,103	—	37,513
Total liabilities	344,036	146,667	24	5,154	495,881	175,393	27,170	202,563	199,665	(272,153)	625,956

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.

Additions to non-current assets comprise additions to land use rights, property, plant and equipment, intangible assets and long-term prepayments.

4 EXPENSES BY NATURE

The following expenses/(gains) are included in cost of sales, distribution costs and administrative expenses:

	2014	2013
	HK\$'000	HK\$'000
Changes in inventories	881,671	908,781
Auditor's remuneration	3,300	3,300
Amortisation of land use rights	488	458
Depreciation of property, plant and equipment	35,650	38,421
Amortisation of intangible assets	3,081	3,295
Operating lease rental in respect of buildings	21,621	17,835
(Write-back of provision)/provision for obsolete inventories	(206)	1,803
Provision for impairment of trade and bills receivables	6,957	10,471
Employee benefit expenses	337,184	341,170
Transportation expenses	54,289	52,980
Exchange loss/(gain), net	6,121	(2,779)
Advertising costs	16,951	24,155
Loss/(gain) on disposal of property, plant and equipment	213	(216)
Direct operating expenses arising from investment properties that generate rental income	397	556
Utilities expenses	26,166	26,299

5 OTHER INCOME

	2014	2013
	HK\$'000	HK\$'000
Income from sales of scrap materials	1,922	2,105
Rental income	4,961	4,836
Others	1,152	2,366
	8,035	9,307

6 INCOME TAX EXPENSES

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current income tax:		
— Hong Kong profits tax	17,510	18,563
— PRC enterprise income tax	745	12,836
— Singapore income tax	<u>1,408</u>	<u>830</u>
	19,663	32,229
Deferred income tax	<u>(180)</u>	<u>(4,245)</u>
	<u><u>19,483</u></u>	<u><u>27,984</u></u>

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

Hong Kong profits tax and PRC enterprise income tax are calculated at 16.5% (2013: 16.5%) and 25% (2013: 25%) on the estimated assessable profits for the year ended 31 December 2014 respectively.

Income tax in Singapore has been provided at the rate of 17% (2013: 17%) on the estimated assessable profit for the year ended 31 December 2014.

7 TRADE AND BILLS RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	470,822	430,306
Bills receivables	4,006	5,797
Receivable from a non-controlling interest	<u>—</u>	<u>229</u>
	474,828	436,332
Less: provision for impairment of receivables	<u>(26,096)</u>	<u>(20,571)</u>
Trade and bills receivables, net	<u><u>448,732</u></u>	<u><u>415,761</u></u>

Ageing analysis of trade and bills receivables as at 31 December 2014 is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current	252,804	239,943
1 – 30 days	78,770	77,575
31 – 60 days	45,891	40,016
61 – 90 days	21,149	26,131
91 – 180 days	31,874	24,774
Over 180 days	<u>44,340</u>	<u>27,893</u>
	<u><u>474,828</u></u>	<u><u>436,332</u></u>

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

8 AMOUNT DUE FROM AN ASSOCIATED COMPANY

The amount represents trade receivables from an associated company. The carrying value of the amount approximates its fair value. The amount is mainly denominated in HK\$. The credit period granted is 30 days. The ageing analysis of amount is as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	957	878
1 – 30 days	666	304
31 – 60 days	473	395
61 – 90 days	380	438
Over 90 days	1,810	1,131
	<u>4,286</u>	<u>3,146</u>

9 RESTRICTED CASH

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Restricted cash	<u>37,515</u>	<u>38,367</u>

As at 31 December 2014, the restricted cash of Renminbi (“RMB”) 30,000,000 (equivalent to approximately HK\$37,515,000) (31 December 2013: RMB30,000,000 (equivalent to approximately HK\$38,367,000)) was placed as collateral for an irrevocable letter of guarantee that provides financial assurance that the Group will fulfil its obligation with respect to a litigation disclosed in Note 17.

10 CASH AND CASH EQUIVALENTS

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at banks and on hand	223,397	236,010
Short term bank deposits	<u>105,013</u>	<u>107,790</u>
	<u><u>328,410</u></u>	<u><u>343,800</u></u>

The Group's cash and bank balances of approximately HK\$138,185,000 (31 December 2013: approximately HK\$124,945,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

11 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	176,764	170,421
1 – 30 days	56,236	49,034
31 – 60 days	10,785	5,168
61 – 90 days	3,372	3,146
Over 90 days	<u>5,406</u>	<u>5,446</u>
	<u><u>252,563</u></u>	<u><u>233,215</u></u>

12 BORROWINGS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current:		
Long-term bank borrowings	25,971	32,444
Current:		
Current portion of long-term bank borrowings	<u>6,473</u>	<u>6,413</u>
	<u>32,444</u>	<u>38,857</u>
Representing:		
Secured	<u>32,444</u>	<u>38,857</u>

In November 2009, the Group 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 consolidated financial statements of the Group, with net carrying values of HK\$197,600,000 as at 31 December 2014 (31 December 2013: HK\$197,000,000).

Another subsidiary of the Company had entered into banking facilities which were secured by land use rights and property, plant and equipment, with net carrying values of approximately HK\$2,071,000 (31 December 2013: HK\$2,177,000) and HK\$18,040,000 (31 December 2013: HK\$20,664,000) as at 31 December 2014.

Interest expense on borrowings for the year ended 31 December 2014 was approximately HK\$408,000 (for the year ended 31 December 2013: HK\$798,000).

13 SHARE CAPITAL AND SHARE PREMIUM

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2013	6,968	590,413	597,381
Exercise of share options	<u>9</u>	<u>522</u>	<u>531</u>
Balance at 31 December 2013	6,977	590,935	597,912
Exercise of share options	<u>9</u>	<u>564</u>	<u>573</u>
Balance at 31 December 2014	<u>6,986</u>	<u>591,499</u>	<u>598,485</u>

14 EARNINGS PER SHARE

(a) Basic

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

	2014	2013
Profit attributable to equity holders of the Company (HK\$'000)	<u>63,264</u>	<u>40,011</u>
Weighted average number of ordinary shares in issue (thousands)	<u>697,968</u>	<u>697,391</u>
Basic earnings per share attributable to equity holders of the Company (HK cents)	<u>9.1</u>	<u>5.7</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.

	2014	2013
Earnings		
Profit attributable to equity holders of the Company (HK\$'000)	<u>63,264</u>	<u>40,011</u>
Weighted average number of ordinary shares in issue (thousands)	697,968	697,391
Adjustments for:		
— Share options (thousands)	<u>8,412</u>	<u>12,189</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>706,380</u>	<u>709,580</u>
Diluted earnings per share attributable to equity holders of the Company (HK cents)	<u>9.0</u>	<u>5.6</u>

15 DIVIDENDS

On 22 May 2014, a final dividend of HK2.0 cents per share for the year ended 31 December 2013, amounting to a total dividend of approximately HK\$13,955,000 was approved by the Company's shareholders.

On 10 October 2014, the Board resolved to pay an interim dividend of HK1.5 cents per share for the six months ended 30 June 2014, amounting to a total dividend of approximately HK\$10,474,000.

The final dividend in respect of the year ended 31 December 2014 of HK3.0 cents per share, amounting to a total dividend of approximately HK\$20,958,000 is proposed on 26 March 2015, which is subject to approval at the annual general meeting (the "AGM") to be held on 21 May 2015. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2014.

16 CAPITAL COMMITMENTS

As at 31 December 2014, the capital commitments of the Group were HK\$9,927,000 (31 December 2013: HK\$12,559,000).

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for in the consolidated financial statements	<u>9,927</u>	<u>12,559</u>

17 PROVISION FOR LEGAL COMPENSATION

In 2012, a competitor (the “Plaintiff”) alleged that certain subsidiaries of the Group, including 廣州七色花投資顧問有限公司, 深圳輝華倉儲服務有限公司 and 明輝實業(深圳)有限公司 (collectively, the “Defendants”), had infringed trademarks and sought damages of RMB100,000,000 (equivalent to approximately HK\$127,890,000). In January 2014, the Group received the judgement made by the Higher People’s Court of Fujian Province against the Defendant that, amongst other things, the Defendants shall pay to the Plaintiff a total amount of RMB30,000,000 (equivalent to approximately HK\$38,367,000) as damages. As a result, the Group accrued provision for legal compensation and other related costs of RMB31,000,000 (equivalent to approximately HK\$39,138,000) in its consolidated financial statements as at 31 December 2013. The Group has lodged formal appeal against the judgement in January 2014 and the first court of hearing was held in the Supreme People’s Court in Beijing in June 2014. As at 31 December 2014, the litigation is still in progress and no final judgement has been issued. Based on legal opinion, the Group had strong reasons to appeal. Management considers no additional provision necessary for the year ended 31 December 2014. Shall the results of the litigation differ from management expectation, the recoverable amounts of the related assets as at 31 December 2014, including goodwill of HK\$347,248,000 and trademark of HK\$9,874,000 may be impacted.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The year ended 31 December 2014 remained relatively static, with the Group's total consolidated revenue standing at approximately HK\$1,626.0 million as compared with HK\$1,684.0 million a year earlier. The Group's core business — hospitality supplies business — remained the major financial driver with a recorded revenue of HK\$1,530.6 million, comprising 94.1% of total revenue. The other business pillar, the retail segment, accounted for HK\$87.6 million or 5.4% of the total top line.

Profit attributable to equity holders of the Company during the year registered an increase of 58.1% to HK\$63.3 million from HK\$40.0 million in financial year 2013.

Basic earnings per share attributable to equity holders of the Company for the year ended 31 December 2014 stood at HK9.1 cents (2013: HK5.7 cents).

The overall gross profit margin remained stable at 24.0% for the year under review (2013: 23.9%), which highlights the Group's continuous exertion in lowering production costs by virtue of production automation enhancement and lower raw materials price.

The Board has resolved to propose a final dividend of HK3.0 cents per share for the year ended 31 December 2014. A sum of the interim and year-end dividends is expected to be HK4.5 cents per share (2013: HK3.5 cents per share). The proposed dividend is subject to approval at the forthcoming AGM on 21 May 2015.

Set out below are the consolidated key financial highlights of the Group for the year ended 31 December 2014:

	2014	2013	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>% Change</i>
Revenue	1,626.0	1,684.0	(3.4%)
Gross profit	390.5	402.5	(3.0%)
Profit attributable to equity holders of the Company	63.3	40.0	58.1%
Net asset value	1,296.4	1,272.9	1.8%
Basic earnings per share attributable to equity holders of the Company (HK cents)	9.1	5.7	59.6%
Diluted earnings per share attributable to equity holders of the Company (HK cents)	<u>9.0</u>	<u>5.6</u>	<u>60.7%</u>

BUSINESS REVIEW

With the improvement in the labour markets, flattened commodity prices and steady public debt levels, the global economic recovery has gradually progressed but remained slow in 2014. It is partly affected by the slowdown in growth in the China's economy which plays an important role in the global economy recovery. The consolidated revenue of the Group was HK\$1,626.0 million, down 3.4% year-on-year from HK\$1,684.0 million during the year under review. Profit attributable to equity holders of the Company was HK\$63.3 million, marking a rise of 58.1% as compared to HK\$40.0 million in 2013.

The hotel-related segment remained as the key business for the Group during the year under review. The launch of the Operating Supplies and Equipment ("OS&E") business during the year has become a new revenue stream to the Group. However, the overall financial performance of the Group was dragged down by the sluggish performance of the retail business.

Hospitality Supplies Business

According to UN World Tourism Organisation ("UNWTO"), the global tourist arrivals in 2014 was comparable to 2013. Following its first half year's business strategy, the Group continued to focus on the Greater China market to introduce new clients so as to enlarge its customer base. However, the hotel industry in mainland China, especially high-end and luxury hotels, was affected by the anti-bribery policy. Thus, it resulted in a corresponding lower growth of the Group's hospitality supplies business. The Group's hospitality supplies business recorded a revenue of HK\$1,530.6 million for the year ended 31 December 2014, accounting for 94.1% of the Group's total revenue, remaining comparable to the prior year.

Specifically, Greater China (including the PRC and Hong Kong) remained as the largest market and its contribution to the Group's total hospitality supplies business has increased to 43.4%, followed by North America and other Asia Pacific (excluding Australia) region, which accounted for 25.9% and 14.9%, respectively. Europe and Australia recorded a proportion of 12.6% and 2.7% of the revenue, respectively. The overall gross profit of the hospitality supplies business stayed static compared to the previous year.

During the year under review, the Group expanded its hotel related business to full scale hotel amenities service, named OS&E business. With its accumulated wealth of experience, the Group is competent on providing integrated OS&E solutions to hotels while capitalized this business based on its existing client base who have solid business relationship with us. Further, the Group planned to further cultivate the OS&E business with new clients. Although the OS&E business is having limited contribution to the financials to the Group currently, the management believes OS&E business will be developed as one of the core competitiveness of the Group's financial performance with the future enhancement expected as well as increasing client group.

The laundry business was terminated at the end of June 2014. This segment brought a loss of HK\$12.6 million to the Group in 2014 (for the year ended 31 December 2013: loss of HK\$20.7 million).

Retail Business

According to the China National Commercial Information Centre, the turnover of the Top 50 retailers in China in 2014 has decreased by 0.7% compared to 2013. The Group believes that the facts of fluctuating consumption, increasing channel competition, sluggish retail sentiment and the rise of e-commerce are putting pressure on the traditional retail business in China. Being affected by these trends, the retail business of the Group continued its downturn. The PRC segment presented a revenue of HK\$85.7 million, representing a drop of 34.7% from 2013.

The Group has commenced appeal proceedings to the Supreme People's Court of the PRC after receiving an initial judgement issued by the Higher People's Court of Fujian Province in relation to the alleged trademark infringement. RMB30.0 million (equivalent to approximately HK\$37.5 million) was withheld by the court for potential compensation to be paid. The Group will continue endeavoring to defend its rights and interests with all requisite actions. Although there is no final judgement issued by the court, the litigation has impacted the retail business of the Group continuously. Therefore the Group executed a cautious strategy and further cut down the number of PRC retail chain outlets to 805 (as at 31 December 2014) from 1,347 (as at 31 December 2013).

The other retail business of the Group, our own-label body care brand — “everyBody Labo” — recorded a loss of HK\$8.1 million in 2014 (for the year ended 31 December 2013: loss of HK\$5.3 million), attributable to the slower growth of the PRC economy and the competitive cosmetics market. Meanwhile, leveraging on the existing networks in Hong Kong, the brand has grasped and maintained a stable target market group. With the name brand awareness developed in Hong Kong, the brand was also introduced into the PRC market, and has further developed its distribution channels in China. During the year under review, the brand has entered into several markets in the PRC including Sichuan, Zhejiang, Shanghai, Yunnan, Chongqing and Guangdong.

PROSPECTS

According to International Monetary Fund (“IMF”) forecasts, global growth in 2015 will improve to 3.8% compared with 3.3% in 2014. Growth rates in both China and the eurozone will decline according to the report. The IMF further lowered the 2015 economic growth rate of China from 7.1% to 6.8%. Thus, considering the macroeconomic environment, the Group remains conservative on the business performance outlook in the year 2015.

For 2015, UNWTO forecasts international tourism will grow and the growth is expected to be stronger in Asia Pacific region. With this positive signal, the Group will enhance the relationship with existing hotel clients and keep the hotel related business steady while pursuing further growth, especially focusing on the Asia Pacific market, which keeps showing a satisfactory improvement in performance year by year, partly attributable to the huge purchasing power of the Chinese tourists and the Group's persistent effort in exploring new markets and strengthening relationship with existing clients. Besides, the Group launched and has been expanding the OS&E business with the advantage of having an existing hotel client base. The Group will further explore and develop new clients in the PRC market with our full range of hotel equipment and

supplies sourcing services. The management of the Group expects the OS&E business will help to enrich the business mix as well as optimize the consolidated gross profit when this segment becomes mature.

For the retail business segment, the Group will continue seeking new methods to face the challenges in the PRC retail market. As “everyBody Labo” brand has already entered into the PRC market, the Group will grasp more market opportunities and enrich its distribution channels to further expand its market share in the PRC with its existing market awareness.

Looking forward, the Group will still focus on the hospitality supplies business, putting more efforts into the OS&E segment to gain increasing financial returns for the Group as well as further enlarging the PRC market for its own-label brand. The Group will never stop perfecting its product mix and profit model, be continuously mindful in serving shareholders’ interests and striving for the largest financial returns for them.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group’s cash and cash equivalents amounted to HK\$328.4 million (31 December 2013: HK\$343.8 million).

In November 2009, the Group entered into a mortgage deed with a leading bank in Hong Kong to raise HK\$64.4 million for the completion of acquisition of office premises in Central district. This facility bore interest at one month 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 maturity date on 27 November 2019. As at 31 December 2014, the outstanding borrowing of this facility amounted to HK\$32.4 million (31 December 2013: HK\$38.9 million).

Details of the borrowings are set out in Note 12 to the consolidated financial information.

The gearing ratio at 31 December 2014, calculated on the basis of borrowings over total equity, was 2.5% as compared with 3.1% at 31 December 2013.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. The Group currently does not have a foreign currency hedging policy.

The Group primarily sourced its raw materials in the PRC. The related currency exposure with respect to RMB is managed through increasing sales denominated in the same currency.

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 31 December 2014, a subsidiary of the Company pledged assets with aggregate carrying value of HK\$197.6 million (31 December 2013: HK\$197.0 million) to secure drawn bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments are set out in Note 16 to the consolidated financial information. The Group has no material contingent liabilities as at 31 December 2014.

EMPLOYEES

As at 31 December 2014, the total number of employees of the Group was approximately 4,200 and the employee benefit expenses were approximately HK\$337.2 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 with a view to constantly upgrading their skills and knowledge.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries has 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 year ended 31 December 2014, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 announcement, the Board has not appointed an individual to the post of chief executive officer. The roles of the chief executive officer have 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 Group's final results for the year ended 31 December 2014 have been reviewed by the members of the Audit Committee before submission to the Board for approval.

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 year ended 31 December 2014.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming AGM of the Company will be held on Thursday, 21 May 2015. The notice of AGM will be published and delivered to the shareholders of the Company in due course.

FINAL DIVIDEND

For the year ended 31 December 2014, the Directors recommend a final dividend of HK3.0 cents per share, which is subject to the approval of the shareholders of the Company at the forthcoming AGM. The final dividend will be payable on or around 12 June 2015 to the shareholders of the Company whose names appear in the register of members of the Company as on 1 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 28 May 2015 to Monday, 1 June 2015 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final 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 Shops 1712-16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 27 May 2015.

PUBLICATION OF ANNUAL REPORT ON WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

The annual report containing all information required by the Listing Rules will be despatched to the shareholders of Company and published on the websites of the Company (www.mingfaigroup.com) and the Stock Exchange (www.hkexnews.hk) in due course.

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

Hong Kong, 26 March 2015

As at the date of this announcement, the executive Directors are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang, Ms. CHAN Yim Ching, Mr. CHING Tsun Wah and Mr. KEUNG Kwok Hung; the non-executive Director is Mr. LEE King Hay; and the independent non-executive Directors are Mr. SUN Kai Lit Cliff, Mr. HUNG Kam Hung Allan, Mr. MA Chun Fung Horace and Mr. NG Bo Kwong.

** for identification purpose only*