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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,685,723**	1,475,369
Cost of sales	*4*	**(1,321,475)**	(1,151,855)
Gross profit		**364,248**	323,514
Distribution costs	*4*	**(167,780)**	(159,194)
Administrative expenses	*4*	**(120,941)**	(86,171)
Other income	*5*	**33,445**	6,784
Impairment of property, plant and equipment	*4*	**(5,504)**	–
Operating profit		**103,468**	84,933
Finance income		**512**	1,003
Finance costs	*11*	**(1,519)**	(1,809)
Share of profit of an associated company		**80**	94
Fair value gains on investment properties		**–**	6,000
Profit before income tax		**102,541**	90,221
Income tax expense	*6*	**(27,363)**	(22,760)
Profit for the year		**75,178**	67,461

	Note	For the year ended 31 December 2012 HK$'000	2011 HK$'000
Other comprehensive income			
Revaluation of land and building prior to transfer to investment properties		**34,116**	–
Currency translation differences		**5,503**	25,525
Total comprehensive income for the year		**114,797**	92,986
Profit/(loss) attributable to:			
Equity holders of the Company		**75,250**	71,666
Non-controlling interests		**(72)**	(4,205)
		75,178	67,461
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**114,869**	97,092
Non-controlling interests		**(72)**	(4,106)
		114,797	92,986
Earnings per share attributable to equity holders of the Company (Expressed in HK cents)			
– Basic	*14*	**11.4**	10.9
– Diluted	*14*	**11.4**	10.7
Dividends			
Interim dividend paid	*15*	**6,508**	10,040
Proposed final dividend	*15*	**17,431**	13,388
		23,939	23,428

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2012** *HK$'000*	2011 *HK$'000*
ASSETS			
Non-current assets			
Goodwill		**345,325**	342,666
Land use rights		**17,793**	26,423
Property, plant and equipment		**230,467**	333,913
Investment properties		**206,899**	110,823
Intangible assets		**16,172**	16,683
Long-term prepayments		**20,802**	17,245
Investment in an associated company		**634**	590
Deferred income tax assets		**4,115**	8,253
Total non-current assets		**842,207**	856,596
Current assets			
Inventories		**199,499**	203,690
Trade and bills receivables	*7*	**391,605**	336,411
Amount due from an associated company		**1,328**	673
Prepaid tax		**26**	45
Deposits, prepayments and other receivables		**83,566**	80,672
Restricted cash	*8*	**37,307**	–
Cash and cash equivalents	*9*	**245,505**	191,480
Total current assets		**958,836**	812,971
Total assets		**1,801,043**	1,669,567
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*12*	**6,968**	6,694
Share premium	*12*	**590,413**	560,626
Other reserves		**636,303**	533,381
Proposed final dividend	*15*	**17,431**	13,388
		1,251,115	1,114,089
Non-controlling interests		**(7,710)**	(7,812)
Total equity		**1,243,405**	1,106,277

	Note	As at 31 December 2012 HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*11*	**38,868**	45,190
Deferred income tax liabilities		**5,849**	10,717
Total non-current liabilities		**44,717**	55,907
Current liabilities			
Current portion of long-term bank borrowings	*11*	**6,339**	6,283
Trade payables	*10*	**231,001**	225,468
Accruals and other payables		**234,740**	226,537
Current income tax liabilities		**34,894**	41,912
Loans from non-controlling interests		**5,933**	5,410
Dividends payable		**14**	1,773
Total current liabilities		**512,921**	507,383
Total liabilities		**557,638**	563,290
Total equity and liabilities		**1,801,043**	1,669,567
Net current assets		**445,915**	305,588
Total assets less current liabilities		**1,288,122**	1,162,184

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserves** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 January 2011	6,371	495,591	476,577	978,539	(4,182)	974,357
Comprehensive income						
Profit/(loss) for the year	–	–	71,666	71,666	(4,205)	67,461
Other comprehensive income						
Currency translation differences	–	–	25,426	25,426	99	25,525
Total comprehensive income/(loss)	–	–	97,092	97,092	(4,106)	92,986
Final dividend relating to 2010	–	–	(28,671)	(28,671)	–	(28,671)
Interim dividend relating to 2011	–	–	(10,040)	(10,040)	–	(10,040)
Dividends paid to non-controlling interests	–	–	–	–	(18)	(18)
Ordinary share issuance *(Note 12)*	300	62,530	–	62,830	–	62,830
Exercise of share options	23	2,505	–	2,528	–	2,528
Share-based compensation	–	–	11,878	11,878	–	11,878
Acquisition of non-controlling interests	–	–	(67)	(67)	494	427
Balance at 31 December 2011	6,694	560,626	546,769	1,114,089	(7,812)	1,106,277
Balance at 1 January 2012	6,694	560,626	546,769	1,114,089	(7,812)	1,106,277
Comprehensive income						
Profit/(loss) for the year	–	–	75,250	75,250	(72)	75,178
Other comprehensive income						
Revaluation of land and building prior to transfer to investment properties	–	–	34,116	34,116	–	34,116
Currency translation differences	–	–	5,503	5,503	–	5,503
Total comprehensive income/(loss)	–	–	114,869	114,869	(72)	114,797
Final dividend relating to 2011 *(Note 15)*	–	–	(13,017)	(13,017)	–	(13,017)
Interim dividend relating to 2012 *(Note 15)*	–	–	(6,508)	(6,508)	–	(6,508)
Forfeiture of dividends *(Note 12)*	–	–	1,764	1,764	–	1,764
Ordinary share issuance *(Note 12)*	456	44,395	–	44,851	–	44,851
Exercise of share options	4	244	–	248	–	248
Cancellation of ordinary shares *(Note 12)*	(186)	(14,852)	–	(15,038)	–	(15,038)
Share-based compensation	–	–	8,957	8,957	–	8,957
Capital injection from non-controlling interests	–	–	–	–	174	174
Disposal of subsidiaries	–	–	900	900	–	900
Balance at 31 December 2012	6,968	590,413	653,734	1,251,115	(7,710)	1,243,405

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.

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 are no new and amended standards to existing HKFRS that are effective for the Group's accounting year commencing 1 January 2012 that could be expected to have a material impact on the Group.

(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 2012, 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:

Amendment to HKAS 1,'Financial statement presentation' regarding other comprehensive income ("OCI"). The main change resulting from these amendments is a requirement for entities to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

HKFRS 10, ‘Consolidated financial statements’, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10’s full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 12, ‘Disclosures of interests in other entities’, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12’s full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements, which are largely aligned between HKFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS or US GAAP. The Group is yet to assess HKFRS 13’s full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal 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") with the brand "7 Magic" through franchisees. Altogether, the Group has two reportable segments: (a) manufacturing and distribution business of amenity products and (b) distribution and retail business of cosmetics and fashion accessories.

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

Information provided to the Board is measured in a manner consistent with that of the 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	Europe	The PRC	Hong Kong	Australia	Other Asia Pacific countries *(Note i)*	Others *(Note ii)*	Sub-total	The PRC	Hong Kong	Sub-total	*(Note iv)*	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*
Year ended 31 December 2012													
Segment revenue	519,046	194,874	398,866	154,769	39,153	167,470	8,750	1,482,928	193,270	6,310	199,580	16,870	1,699,378
Inter-segment revenue	–	–	(10,822)	(2,004)	–	–	–	(12,826)	–	(15)	(15)	(814)	(13,655)
Revenue from external customers	519,046	194,874	388,044	152,765	39,153	167,470	8,750	1,470,102	193,270	6,295	199,565	16,056	1,685,723
Earnings/(loss) before interest, taxes, depreciation, amortisation, compensation income, fair value gain on contingent consideration in relation to the acquisition of All Team Group and impairment of property, plant and equipment	56,612	16,277	35,815	5,930	2,154	13,877	1,023	131,688	4,504	313	4,817	(10,080)	126,425
Impairment of property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	(5,504)	(5,504)
Depreciation	(10,071)	(3,781)	(7,825)	(3,086)	(760)	(3,250)	(170)	(28,943)	(1,535)	(26)	(1,561)	(9,694)	(40,198)
Amortisation	(353)	(133)	(275)	(108)	(27)	(114)	(6)	(1,016)	(1,714)	(9)	(1,723)	(314)	(3,053)
Finance income	–	–	366	84	–	–	–	450	56	–	56	6	512
Finance costs	–	–	(108)	(896)	–	–	–	(1,004)	–	–	–	(515)	(1,519)
Segment profit/(loss) before income tax	46,188	12,363	27,973	1,924	1,367	10,513	847	101,175	1,311	278	1,589	(26,101)	76,663
Compensation income *(Note 5)*													10,760
Fair value gain on contingent consideration in relation to the acquisition of All Team Group													15,038
Share of profit from an associated company													80
Income tax expense													(27,363)
Profit for the year													75,178

	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$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2012											
Total assets	739,419	472,357	965	21,118	1,233,859	516,475	6,352	522,827	292,054	(247,697)	1,801,043
Include:											
Investment in an associated company	–	634	–	–	634	–	–	–	–	–	634
Additions to non-current assets (other than deferred income tax assets)	21,985	2,896	–	1,421	26,302	21,397	28	4,743	897	–	48,624
Total liabilities	300,696	150,291	20	3,377	454,384	139,837	23,437	163,274	187,677	(247,697)	557,638

	Manufacturing and distribution business of amenity products								Distribution and retail business of cosmetics and fashion accessories			Others	
	North America	Europe	The PRC	Hong Kong	Australia	Other Asia Pacific countries *(Note i)*	Others *(Note ii)*	Sub-total	The PRC	Hong Kong	Sub-total	*(Note iv)*	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*
Year ended 31 December 2011													
Segment revenue	388,323	204,280	361,670	101,651	33,420	142,123	14,297	1,245,764	229,529	6,079	235,608	15,034	1,496,406
Inter-segment revenue	–	–	(15,925)	(2,155)	–	–	–	(18,080)	–	–	–	(2,957)	(21,037)
Revenue from external customers	388,323	204,280	345,745	99,496	33,420	142,123	14,297	1,227,684	229,529	6,079	235,608	12,077	1,475,369
Earnings/(loss) before interest, taxes, fair value gains on investment properties, depreciation and amortisation	33,842	13,851	34,544	4,242	743	9,651	1,348	98,221	44,534	(6,466)	38,068	(11,549)	124,740
Fair value gains on investment properties	–	–	–	–	–	–	–	–	–	–	–	6,000	6,000
Depreciation	(8,696)	(4,575)	(7,743)	(2,228)	(748)	(3,183)	(319)	(27,492)	(723)	(861)	(1,584)	(7,909)	(36,985)
Amortisation	(255)	(134)	(227)	(65)	(22)	(93)	(8)	(804)	(1,682)	(9)	(1,691)	(327)	(2,822)
Finance income	–	–	109	182	–	–	–	291	695	–	695	17	1,003
Finance costs	–	–	(9)	(754)	–	–	–	(763)	–	–	–	(1,046)	(1,809)
Segment profit/(loss) before income tax	24,891	9,142	26,674	1,377	(27)	6,375	1,021	69,453	42,824	(7,336)	35,488	(14,814)	90,127
Share of profit from an associated company													94
Income tax expense													(22,760)
Profit for the year													67,461

	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$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2011											
Total assets	621,276	455,396	960	20,223	1,097,855	489,969	4,857	494,826	289,424	(212,538)	1,669,567
Include:											
Investment in an associated company	–	590	–	–	590	–	–	–	–	–	590
Additions to non-current assets (other than deferred income tax assets)	30,049	1,202	–	–	31,251	4,836	144	4,980	44,656	–	80,887
Total liabilities	284,208	118,060	66	2,713	405,047	180,704	22,233	202,937	167,844	(212,538)	563,290

Notes:

(i) Other Asia Pacific countries mainly include Japan, United Arab Emirates, Thailand, the Philippines, Malaysia, Singapore, Fiji and New Zealand.

(ii) Others mainly include South Africa, Egypt, Morocco and Nigeria.

(iii) Other locations mainly include Singapore.

(iv) Others mainly include the results from the laundry business in Changshu, the PRC.

Additions to non-current assets comprise additions to land use rights, property, plant and equipment, investment properties, 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:

	2012	2011
	HK$'000	*HK$'000*
Changes in inventories	**983,031**	868,301
Auditor's remuneration	**3,135**	3,300
Amortisation of land use rights	**649**	630
Depreciation of property, plant and equipment	**40,198**	36,985
Amortisation of intangible assets	**2,404**	2,192
Operating lease rental in respect of buildings	**13,344**	15,151
(Write-back of provision)/provision for obsolete inventories	**(179)**	1,052
Provision/(write-back of provision) for impairment of trade and bills receivables	**9,074**	(1,307)
Employee benefit expenses	**323,057**	263,251
Transportation expenses	**52,123**	50,368
Exchange loss/(gain), net	**1,592**	(3,020)
Advertising costs	**15,545**	14,222
(Gain)/loss on disposal of property, plant and equipment	**(572)**	221
Direct operating expenses arising from investment properties that generate rental income	**165**	139
Utilities expenses	**27,011**	22,889
Impairment of property, plant and equipment *(Note (a))*	**5,504**	–

Note (a):

Due to changes in market conditions and losses suffered by the laundry business in Changshu, the PRC, impairment charges were made for plant and machinery of HK$5,504,000 by management based on an external valuation.

5 OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Fair value gain on contingent consideration in relation to the acquisition of All Team Group	**15,038**	–
Compensation income *(Note (a))*	**10,760**	–
Income from sales of scrap materials	**2,081**	1,809
Rental income	**3,953**	3,240
Others	**1,613**	1,735
	33,445	6,784

Note (a):

During the year, compensation income of HK$10,760,000 was received from Shuangdong Town Government upon mutual agreement for the termination of the purchase of a piece of land in Luoding, the PRC.

6. INCOME TAX EXPENSE

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

	2012	2011
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**14,784**	7,642
– PRC enterprise income tax	**8,139**	20,114
– Singapore income tax	**641**	812
	23,564	28,568
Deferred income tax	**3,799**	(5,808)
	27,363	22,760

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

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year ended 31 December 2012.

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

Luoding Quality Amenities Company Limited is eligible for corporate tax exemption for two years in 2008 and 2009, followed by a 50% reduction in corporate income tax rate in the next three years from 2010 to 2012.

Corporate tax in Singapore has been provided at the rate of 17% (2011: 17%) on the estimated assessable profit for the year ended 31 December 2012.

7 TRADE AND BILLS RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**399,537**	336,884
Bills receivables	**3,630**	4,526
Receivable from a non-controlling interest	**8**	583
	403,175	341,993
Less: provision for impairment of receivables	**(11,570)**	(5,582)
Trade and bills receivables, net	**391,605**	336,411

Ageing analysis of trade and bills receivables as at 31 December 2012 is as follows:

	2012	2011
	HK$'000	*HK$'000*
Current	**236,518**	197,839
1 – 30 days	**70,947**	63,927
31 – 60 days	**36,383**	33,518
61 – 90 days	**20,151**	15,432
91 – 180 days	**15,582**	17,640
Over 180 days	**23,594**	13,637
	403,175	341,993

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

8 RESTRICTED CASH

	2012
	HK$'000
Restricted cash	**37,307**
Denominated in:	
– RMB	**37,307**

As at 31 December 2012, the restricted cash of Renminbi ("RMB") 30,000,000 (approximately HK$37,307,000) served as collateral for an irrevocable letter of guarantee that provides financial assurance that the Group will fulfil its obligation with respect to a litigation as disclosed in note 17.

9 CASH AND CASH EQUIVALENTS

	2012	2011
	HK$'000	*HK$'000*
Cash at banks and on hand	**160,720**	151,396
Short-term bank deposits	**84,785**	40,084
	245,505	191,480
Denominated in:		
– HK$	**52,342**	67,436
– RMB	**129,165**	68,318
– US$	**43,873**	32,832
– Other currencies	**20,125**	22,894
	245,505	191,480

The Group's cash and bank balances of approximately HK$157,607,000 (31 December 2011: approximately HK$79,279,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

10 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2012	2011
	HK$'000	*HK$'000*
Current	**156,845**	149,771
1 – 30 days	**54,207**	57,405
31 – 60 days	**9,632**	11,150
61 – 90 days	**4,866**	2,707
Over 90 days	**5,451**	4,435
	231,001	225,468

11 BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Non-current:		
Long-term bank borrowings	**38,868**	45,190
Current:		
Current portion of long-term bank borrowings	**6,339**	6,283
	45,207	51,473
Representing:		
Secured	**45,207**	51,473

The Group's borrowings are denominated in HK$ and repayable as follows:

	2012	2011
	HK$'000	*HK$'000*
Non-current:		
– HK$ *(Note (a))*	**38,868**	45,190
Representing:		
Later than one year and no later than five years	**26,017**	25,759
Over five years	**12,851**	19,431
	38,868	45,190

	2012	2011
	HK$'000	*HK$'000*
Current:		
– HK$ *(Note (a))*	**6,339**	6,283

The weighted average effective interest rate per annum of the Group's borrowings at 31 December 2012 and 2011 are set out as follows:

	2012	2011
HK$ *(Note (a))*	**1.05%**	0.97%

Notes:

(a) In November 2009, the Group has obtained a HK$ denominated mortgage loan, which bore interest at the lower of one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% and HK$ Prime rate less 1.75%, for acquiring certain properties in Hong Kong. These properties were pledged against the mortgage loan and included in investment properties (2011: property, plant and equipment and investment properties) in the consolidated financial statements of the Group, with net carrying values of HK$197,000,000 as at 31 December 2012 (31 December 2011: HK$61,117,000 and HK$101,000,000, respectively).

Another subsidiary of the Company had entered into the banking facilities which were secured by land use rights and property, plant and equipment with net carrying values of approximately HK$2,175,000 (31 December 2011: HK$2,216,000) and HK$22,246,000 (31 December 2011: HK$24,211,000), respectively.

Interest expense on borrowings for the year ended 31 December 2012 was approximately HK$1,519,000 (for the year ended 31 December 2011: HK$1,809,000).

The carrying amounts of long-term bank borrowings approximate their fair values as the impact of discounting is not significant.

12 SHARE CAPITAL AND SHARE PREMIUM

	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
Balance at 1 January 2011	**6,371**	**495,591**	**501,962**
Ordinary share issuance *(Note (a))*	300	62,530	62,830
Exercise of share options	23	2,505	2,528
Balance at 31 December 2011	**6,694**	**560,626**	**567,320**
Ordinary share issuance *(Note (b))*	456	44,395	44,851
Cancellation of ordinary shares *(Note (c))*	(186)	(14,852)	(15,038)
Exercise of share options	4	244	248
Balance at 31 December 2012	**6,968**	**590,413**	**597,381**

Notes:

(a) On 9 June 2011, the Company allotted 30,000,000 ordinary shares, at a price HK$2.124 per share. Net proceeds for the ordinary share issuance approximated HK$62,830,000 after reduction of transaction cost.

(b) On 7 December 2012, the Company placed 45,585,550 ordinary shares, at a price HK$1.00 per share. Net proceeds for the ordinary share issuance approximated HK$44,851,000 after reduction of transaction cost.

(c) Pursuant to the sale and purchase agreement in relation to the acquisition of All Team Group dated 18 May 2010, the Group has a right to recover ordinary shares of the Company previously issued to the original vendors of All Team Group, should the net profits after taxation of All Team Group for the year ended 31 December 2011 fall below RMB50,000,000 (equivalent to approximately HK$57,400,000).

Since the results of All Team Group for the year ended 31 December 2011 did not meet the threshold above, the Group recovered and cancelled 18,565,146 ordinary shares previously issued to the vendors. A fair value gain on this contingent consideration of approximately HK$15,038,000 was recognised during the year ended 31 December 2012. The fair value gain was calculated with reference to the closing market price of the Company's shares as at 30 April 2012, the date of shares cancellation. For the same reason, dividends payable to these ordinary shares relating to the years ended 31 December 2010 and 2011 of approximately HK$1,764,000 were also forfeited during the year.

13 DISPOSAL OF SUBSIDIARIES

In December 2012, Ming Fai Holdings Limited ("Ming Fai Holdings"), a subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Purchaser") to dispose of its entire equity interests in All Team Group Limited ("All Team") (the "Disposal") at a consideration of approximately RMB11,202,000 (equivalent to approximately HK$13,934,000). The disposal was completed on 28 December 2012.

In accordance with the Agreement, the consideration should be settled by 27 March 2013. It was subsequently agreed between Ming Fai Holdings and the Purchaser that the settlement date of the consideration to be deferred to 26 September 2013. The Purchaser had pledged the land and building of Parel (Guangzhou) Cosmetics Limited as collateral to secure the settlement of the consideration.

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.

	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**75,250**	71,666
Weighted average number of ordinary shares in issue (thousands)	**660,472**	655,143
Basic earnings per share attributable to equity holders of the Company (HK cents)	**11.4**	10.9

(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.

	2012	2011
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	**75,250**	71,666
Weighted average number of ordinary shares in issue (thousands)	**660,472**	655,143
Adjustments for:		
– Share options (thousands)	**874**	12,238
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**661,346**	667,381
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**11.4**	10.7

15 DIVIDENDS

On 24 May 2012, a final dividend of HK2.0 cents per share for the year ended 31 December 2011, amounting to a total dividend of approximately HK$13,017,000 was approved by the Company's shareholders.

On 30 August 2012, the Board resolved to pay an interim dividend of HK1.0 cent per share for the six months ended 30 June 2012, amounting to a total dividend of approximately HK$6,508,000 (six months ended 30 June 2011: HK1.5 cents per share).

The final dividend in respect of the year ended 31 December 2012 of HK2.5 cents per share, amounting to a total dividend of approximately HK$17,431,000 is proposed on 27 March 2013, which is subject to approval at the annual general meeting (the "AGM") to be held on 23 May 2013. 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 2012.

16 CAPITAL COMMITMENTS

As at 31 December 2012, the capital commitments of the Group were HK$4,454,000 (31 December 2011: HK$2,658,000).

	2012	2011
	HK$'000	*HK$'000*
Contracted but not provided for in the consolidated financial statements	**4,454**	2,658

17 CONTINGENT LIABILITIES

In 2012, 明輝實業（深圳）有限公司, 廣州七色花投資顧問有限公司 and 深圳輝華倉儲服務有限公司, subsidiaries of the Company, (collectively, the "Defendants") are involved in a litigation with a competitor, who is alleging that the Defendants have infringed trademarks and is seeking damages of RMB100,000,000, (approximately HK$124,400,000). The Directors have taken legal advice and are of the opinion that the claim can be successfully defended by the Group. No provision is considered necessary as at 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total consolidated revenue for the year ended 31 December 2012 recorded a growth of 14.3% to approximately HK$1,685.7 million from HK$1,475.4 million last year. This was mainly attributable to better sales performance in the Group's core business, the manufacturing and distribution of amenity products, which contributed HK$1,470.1 million or 87.2% of the Group's revenue. The distribution and retail business of cosmetics and fashion accessories also contributed HK$199.6 million or 11.8% of the Group's revenue.

Profit attributable to equity holders of the Company was HK$75.3 million, a marginal increase of 5.0%, compared with HK$71.7 million for the year ended 31 December 2011.

Basic earnings per share attributable to equity holders of the Company for the year ended 31 December 2012 was HK11.4 cents (31 December 2011: HK10.9 cents).

The overall gross profit margin slightly decreased from 21.9% in the prior year to 21.6% for the year under review, which was mainly due to the escalating manufacturing costs.

The Board has resolved to propose a final dividend of HK2.5 cents per share for the year ended 31 December 2012, making a total annual dividend of HK3.5 cents per share (2011: HK3.5 cents per share). The proposed dividend is subject to approval at the forthcoming AGM on 23 May 2013.

Set out below are the consolidated financial highlights of the Group for the years ended 31 December:

	2012 ***HK$ million***	2011 *HK$ million*	Change in %
Revenue	**1,685.7**	1,475.4	14.3%
Gross profit	**364.2**	323.5	12.6%
Profit attributable to equity holders of the Company	**75.3**	71.7	5.0%
Net asset value	**1,243.4**	1,106.3	12.4%
Basic earnings per share attributable to equity holders of the Company *(HK cents)*	**11.4**	10.9	4.6%
Diluted earnings per share attributable to equity holders of the Company *(HK cents)*	**11.4**	10.7	6.5%

BUSINESS REVIEW

Four years after the eruption of the global financial crisis, the world economy is still struggling to recover. During 2012, a growing number of developed countries have fallen into double-dip recession. Growth in major developing countries and economies in transition has also decelerated notably, reflecting both external vulnerabilities and domestic challenges. However, there are encouraging signs when approaching the end of 2012. The US House approved legislation averting 'fiscal cliff', the European Union is committed to put more concrete efforts to fight against debt crisis, the PRC, being the second-largest economy in the world, reported a GDP growth of 7.9% in the fourth quarter 2012, snapping seven straight quarters of slowdown. The Group's total consolidated revenue for the year ended 31 December 2012 was HK$1,685.7 million, increasing 14.3% when compared with HK$1,475.4 million in 2011.

The Group adopted strict discipline in cost containment in an effort to maintain competitiveness in a turmoil business environment. During the past twelve months the Group's performance was steady as a whole, which was primarily driven by the promising results for the Group's core business, manufacturing and distribution of amenity products. However, its performance was partly offset by the increasing operating costs in the PRC. During the year under review, the Group's financial performance was adversely affected by the results generated from the retail business of "7 magic" brand and the loss from the investment in providing laundry services in Changshu, the PRC. Profit attributable to equity holders of the Company was HK$75.3 million, a marginal increase of 5.0% year-on-year from HK$71.7 million.

Hotel related businesses

Manufacturing and distribution business of hotel amenities

In 2012, the international tourism managed to stay strong despite continued economic volatility around the world. International tourist arrivals grew by 4% in 2012, according to the latest UNWTO World Tourism Barometer published in January 2013. The Group's core business, the manufacturing and distribution of hotel amenities, enjoyed a stable demand from the strong international tourism industry.

The Group reported sales growth in the major geographical segments, including the Greater China (including the PRC and Hong Kong). North America and Europe reported a revenue of HK$713.9 million. However, the profit margin experienced increasing pressure from the rise in labour cost and raw material cost in the PRC, where its production base is located. In spite of the great efforts by the Group devoted to cost containment, the gross overall margin remain comparable to the prior year.

For the year ended 31 December 2012, the Greater China (including the PRC and Hong Kong), remained the biggest revenue contributor of this operation, which accounted for 36.8% of the revenue generated for the manufacturing and distribution of amenity products segment, followed by North America which accounted for 35.3%. Europe, other Asia Pacific countries (excluding Australia) and Australia contributed 13.3%, 11.4% and 2.7% of the segment revenue, respectively.

In late 2012, the Group entered into a strategic alliance with American Hotel Register Company ("AHR"), which is one of the world's largest hotel amenities suppliers, to better serve both local and international hotels throughout the Asia Pacific region with quality products and services. The new strategic alliance, known as "Ming Fai-American Hotel Asia Pacific" is ready to bring increased value to potential and existing customers throughout the region. Customers will experience incomparable product assortment and services with the Group's strength in amenity manufacturing, along with AHR's long-term hospitality expertise, comprehensive product selection and sourcing and established relationships with many of the world's largest hotel companies.

With all these strategic moves, the Group is confident in maintaining the leading position in the industry and further forwarding the business for the benefits of all stakeholders.

Laundry services

With the laundry plant in Jiangsu Province, the PRC commencing operation in March 2011, the Group improves its total solutions providing to hotel customers and this has further strengthened our long-term relationship with existing hotel customers. In addition, by providing commercial laundry services, the Group possesses a larger presence in hotel related industry which shall contribute to the Group's profitability in the long run. However, the laundry business recorded a loss of HK$23.4 million during the year, including an impairment of property, plant and equipment of approximately HK$5.5 million.

Retail Businesses

PRC retail business

The retail industry in the PRC slumped throughout 2012, despite the rebound of Chinese consumption in the second half of the year. Data from the China Nation Commercial Information Center reveals that the growth rate on the total sales of the top 100 large retail companies in the PRC significantly dropped by 11.8% from a growth in 2011, hitting a seven-year low since 2005. Amid challenging business environment, the Group's retail business in the PRC recorded a revenue of HK$193.3 million, representing 11.5% of the Group's total consolidated revenue. However, its operating results were not satisfactory for the year ended 31 December 2012.

During the year under review, "7 Magic" maintained a stable number of franchise stores, totaling 1,362 as at 31 December 2012 (31 December 2011: 1,258). The target customers of "7 Magic" are younger females whose purchasing power are relatively more vulnerable to inflation. To maintain competitiveness in the market, the increased operating costs could not be fully transferred to our customers. For the year ended 31 December 2012, the Group's retail business in the PRC recorded a gross profit of HK$64.9 million, while the gross profit margin was 33.6%. The segment profit before income tax of the Group's retail business in the PRC significantly dropped to HK$1.3 million.

During the year of 2012, the Group continued to focus on integration and enhancement of product quality, product variety and franchise management of the "7 Magic" retail business on a proactive basis. According to the China General Chamber of Commerce, it is estimated that retail sales would grow by around 15% in 2013. Riding on this growth momentum as well as the government's efforts to boost domestic demand, the "7 Magic" retail business is expected to play a more important role in the Group's future business development.

Retail Brand – everyBody Labo

Aiming to build and develop its own brand, the Group put the main focus on its first-owned brand "everyBody Labo" with great efforts to revise business strategies. "everyBody Labo" successfully established a presence in Hong Kong health and beauty market by presenting its products in "Mannings" and "Harvey Nichols Hong Kong". In the beginning of 2012, the brand had further expanded its presence into "Citysuper" outlets in Hong Kong.

"everyBody Labo" began to generate a profit of HK$0.3 million during the year under review. This is mainly due to the stable sales growth brought by a higher brand awareness in Hong Kong. In addition, the Group is actively looking for opportunities to introduce "everybody Labo" into the PRC market via a broader distribution network.

PROSPECTS

In the World Economic Outlook Update issued by the International Monetary Fund, global economic growth is projected to increase during 2013, as the factors underlying soft global activity are expected to subside. Policy actions have lowered acute crisis risks in the Euro area and the United States. At the same time, policies have supported a modest growth pickup in some emerging markets such as the PRC. However, downside risks remain significant, including renewed setbacks in the Euro area and risks of excessive near-term fiscal consolidation in the United States. Therefore, the Group remains cautiously optimistic on the coming financial year and will strive to turn challenges into opportunities among all these uncertainties.

UNWTO World Tourism Barometer forecasts international tourist arrivals to increase by 3% to 4% in 2013. This is expected to boost the profitability of the hotel-related industries. The Group, as one of the leading hotel amenities suppliers, will take advantage of the opportunity to further expand our market share. The Group will continue to provide our customers with comprehensive product and service offerings, ranging from personal healthcare items, in-room accessories, to airline amenity kits, linens and laundry services.

The strategic collaboration with AHR is expected to bring synergies to the Group's profitability in the coming financial year. With their complementary expertise and network, both parties are well positioned to make a bigger presence in the hotel industry.

Heading towards a promising 2013, the Group still experiences the increasing cost pressure as a result of structural labor shortage and upstream input price inflation. Based on its solid experience in cost control last year, the Group will conduct strategic approaches of outsourcing labour-intensive products and standardizing product manufacturing in 2013. The Group will continue to produce high-quality and value-added products and services to secure existing customers and attract potential customers. In addition, the Group will continue to look for investment opportunities while maintaining solid investment structure in order to generate more operating margins as well as maximize shareholders' returns.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group's cash and cash equivalents amounted to HK$245.5 million (31 December 2011: HK$191.5 million).

In November 2009, the Group entered into a mortgage deed with a leading bank in Hong Kong to raise HK$64.4 million for the completion of acquisition of office premises in Central district. This facility bore interest at one month Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.75% per annum or 1.75% below Hong Kong dollars Prime Rate, whichever is the lower. The facility is secured by the office premises with maturity date on 27 November 2019. As at 31 December 2012, the outstanding borrowing of this facility amounted to HK$45.2 million (31 December 2011: HK$51.5 million).

Details of the borrowings are set out in note 11 to the consolidated financial information.

The gearing ratio at 31 December 2012, calculated on the basis of borrowings over total equity, was 3.6% as compared with 4.7% at 31 December 2011.

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 2012, certain subsidiaries of the Company pledged assets with aggregate carrying value of HK$197.0 million (31 December 2011: HK$162.1 million) to secure drawn bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments and contingent liabilities are set out in note 16 and note 17 to the consolidated financial information.

EMPLOYEES

As at 31 December 2012, the total number of employees of the Group was approximately 5,000. 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

Save as disclosed in note 12 to the consolidated financial information, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the shares of the Company during the year ended 31 December 2012.

CORPORATE GOVERNANCE CODE

The Group has complied with all the code provisions set out in the Code of Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the "Code") during the period from 1 April 2012 to 31 December 2012, 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 2012 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 2012.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming AGM of the Company will be held on Thursday, 23 May 2013. The notice of AGM will be published and delivered to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 29 May 2013 to Friday, 31 May 2013 (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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 28 May 2013.

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, 27 March 2013

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

* *For identification purpose only*