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 2011

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 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,475,369**	1,085,933
Cost of sales	*4*	**(1,151,855)**	(782,562)
Gross profit		**323,514**	303,371
Distribution costs	*4*	**(159,194)**	(112,998)
Administrative expenses	*4*	**(86,171)**	(73,722)
Other income		**6,784**	4,892
Operating profit		**84,933**	121,543
Finance income		**1,003**	950
Finance costs	*10*	**(1,809)**	(791)
Share of profit of an associated company		**94**	220
Fair value gains on investment properties		**6,000**	14,000
Profit before income tax		**90,221**	135,922
Income tax expense	*5*	**(22,760)**	(26,178)
Profit for the year		**67,461**	109,744

	Note	For the year ended 31 December **2011** *HK$'000*	2010 *HK$'000*
Other comprehensive income			
Currency translation differences		**25,525**	19,322
Total comprehensive income for the year		**92,986**	129,066
Profit/(loss) attributable to:			
Equity holders of the Company		**71,666**	116,128
Non-controlling interests		**(4,205)**	(6,384)
		67,461	109,744
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**97,092**	135,492
Non-controlling interests		**(4,106)**	(6,426)
		92,986	129,066
Earnings per share attributable to equity holders of the Company (Expressed in HK cents)			
– Basic	*12*	**10.9**	19.0
– Diluted	*12*	**10.7**	18.4
Dividends			
Interim dividend paid	*13*	**10,040**	22,300
Proposed final dividend	*13*	**13,388**	28,671
		23,428	50,971

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Goodwill		**342,666**	328,713
Land use rights		**26,423**	25,966
Property, plant and equipment		**333,913**	281,276
Investment properties		**110,823**	104,423
Intangible assets		**16,683**	18,214
Long-term prepayments		**17,245**	27,560
Investment in an associated company		**590**	561
Deferred income tax assets		**8,253**	2,981
Total non-current assets		**856,596**	789,694
Current assets			
Inventories		**203,690**	148,192
Trade and bills receivables	*6*	**336,411**	247,884
Amount due from an associated company		**673**	764
Prepaid tax		**45**	5,864
Deposits, prepayments and other receivables		**80,672**	70,474
Restricted cash	*7*	**–**	2,544
Cash and cash equivalents	*8*	**191,480**	158,846
Total current assets		**812,971**	634,568
Total assets		**1,669,567**	1,424,262
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*11*	**6,694**	6,371
Share premium	*11*	**560,626**	495,591
Other reserves		**533,381**	447,906
Proposed final dividend	*13*	**13,388**	28,671
		1,114,089	978,539
Non-controlling interests		**(7,812)**	(4,182)
Total equity		**1,106,277**	974,357

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*10*	**45,190**	51,497
Long-term payables		**–**	10,471
Deferred income tax liabilities		**10,717**	11,053
Total non-current liabilities		**55,907**	73,021
Current liabilities			
Current portion of long-term bank borrowings	*10*	**6,283**	6,207
Short-term bank borrowings	*10*	**–**	11,719
Trade payables	*9*	**225,468**	149,640
Accruals and other payables		**226,537**	178,007
Current income tax liabilities		**41,912**	25,971
Loans from non-controlling interests		**5,410**	4,682
Dividends payable		**1,773**	658
Total current liabilities		**507,383**	376,884
Total liabilities		**563,290**	449,905
Total equity and liabilities		**1,669,567**	1,424,262
Net current assets		**305,588**	257,684
Total assets less current liabilities		**1,162,184**	1,047,378

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 2010	6,000	408,242	379,449	793,691	2,044	795,735
Comprehensive income						
Profit/(loss) for the year	–	–	116,128	116,128	(6,384)	109,744
Other comprehensive income						
Currency translation differences	–	–	19,364	19,364	(42)	19,322
Total comprehensive income/(loss)	–	–	135,492	135,492	(6,426)	129,066
Final dividend relating to 2009	–	–	(30,000)	(30,000)	–	(30,000)
Interim dividend relating to 2010	–	–	(22,300)	(22,300)	–	(22,300)
Issuance of ordinary share in relation to a business combination *(Note 11)*	371	87,349	–	87,720	–	87,720
Capital injection from non-controlling interests	–	–	–	–	200	200
Transfer to investment properties	–	–	5,300	5,300	–	5,300
Share-based compensation	–	–	8,636	8,636	–	8,636
Balance at 31 December 2010	6,371	495,591	476,577	978,539	(4,182)	974,357
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 *(Note 13)*	–	–	(28,671)	(28,671)	–	(28,671)
Interim dividend relating to 2011 *(Note 13)*	–	–	(10,040)	(10,040)	–	(10,040)
Dividends paid to non-controlling interests	–	–	–	–	(18)	(18)
Ordinary share issuance *(Note 11)*	300	62,530	–	62,830	–	62,830
Exercise of share option *(Note 11)*	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

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 HK dollars (HK$'000), unless otherwise stated.

2 ACCOUNTING POLICIES

(a) New standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011 but do not have a material impact on the Group

HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
Annual Improvements Project	Third improvements to Hong Kong Financial Reporting Standards (2010)

(b) New standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted

HKFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

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 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. 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. During the second half of 2010, the Group acquired All Team Group Limited and its subsidiaries ("All Team Group") which is principally engaged in the distribution and retail business of cosmetics and fashion accessories in the People's Republic of China (the "PRC") with the brand "7 Magic" through franchisees. Subsequent to the acquisition, 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.

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 the respective segment revenues. 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 HK$'000	Europe HK$'000	The PRC HK$'000	Hong Kong HK$'000	Australia HK$'000	Other Asia Pacific countries *(Note i)* HK$'000	Others *(Note ii)* HK$'000	Sub-total HK$'000	The PRC HK$'000	Hong Kong HK$'000	Sub-total HK$'000	HK$'000	Total 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 HK$'000	Hong Kong HK$'000	Australia HK$'000	Other locations *(Note iii)* HK$'000	Sub-total HK$'000	The PRC HK$'000	Hong Kong HK$'000	Sub-total HK$'000	HK$'000	Inter-segment elimination HK$'000	Total 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

	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		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 2010													
Segment revenue	357,405	144,296	250,740	85,684	36,008	117,057	11,293	1,002,483	78,278	3,433	81,711	3,151	1,087,345
Inter-segment revenue	–	–	(1,339)	–	–	–	–	(1,339)	–	(73)	(73)	–	(1,412)
Revenue from external customers	357,405	144,296	249,401	85,684	36,008	117,057	11,293	1,001,144	78,278	3,360	81,638	3,151	1,085,933
Earnings/(loss) before interest, taxes, fair value gains on investment properties, depreciation and amortisation	58,996	13,595	34,381	9,749	2,533	19,742	1,247	140,243	17,253	(9,966)	7,287	3,983	151,513
Fair value gains on investment properties	–	–	–	–	–	–	–	–	–	–	–	14,000	14,000
Depreciation	(9,540)	(3,852)	(6,562)	(2,144)	(961)	(3,125)	(301)	(26,485)	(240)	(797)	(1,037)	(1,118)	(28,640)
Amortisation	(254)	(103)	(80)	(63)	(26)	(83)	(8)	(617)	(536)	(8)	(544)	(169)	(1,330)
Finance income	–	–	180	712	–	16	–	908	13	–	13	29	950
Finance costs	–	–	–	–	–	–	–	–	–	–	–	(791)	(791)
Segment profit/(loss) before income tax	49,202	9,640	27,919	8,254	1,546	16,550	938	114,049	16,490	(10,771)	5,719	15,934	135,702
Share of profit from an associated company													220
Income tax expense													(26,178)
Profit for the year													109,744

	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 2010											
Total assets	470,199	442,498	1,761	20,041	934,499	404,122	7,684	411,806	248,625	(170,668)	1,424,262
Include:											
Investment in an associated company	–	561	–	–	561	–	–	–	–	–	561
Additions to non-current assets (other than deferred income tax assets)	12,866	6,471	–	394	19,731	345,555	554	346,109	107,226	–	473,066
Total liabilities	190,330	78,887	862	1,337	271,416	136,017	14,503	150,520	198,637	(170,668)	449,905

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 goodwill, land use rights, property, plant and equipment, investment properties, intangible assets and long-term prepayments including additions resulting from acquisition through business combination.

4 EXPENSES BY NATURE

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

	2011	2010
	HK$'000	*HK$'000*
Changes in inventories	**868,301**	592,330
Auditor's remuneration	**3,300**	3,220
Amortisation of land use rights	**630**	476
Depreciation of property, plant and equipment	**36,985**	28,640
Amortisation of intangible assets	**2,192**	854
Operating lease rental in respect of buildings	**15,151**	13,772
Provision for/(write-back of provision) for obsolete inventories	**1,052**	(3,670)
(Write-back of provision)/provision for impairment of trade and bills receivables	**(1,307)**	2,296
Employee benefit expenses	**263,251**	181,101
Transportation expenses	**50,368**	45,806
Exchange gains	**(3,020)**	(3,648)
Advertising costs	**14,222**	6,701
Loss on disposal of property, plant and equipment	**221**	7
Direct operating expenses arising from investment properties that generate rental income	**139**	95
Utilities expenses	**22,889**	22,723

5 INCOME TAX EXPENSE

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	2011	2010
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**7,642**	8,214
– PRC enterprise income tax	**20,114**	16,178
– Singapore income tax	**812**	645
	28,568	25,037
Deferred income tax	**(5,808)**	1,141
	22,760	26,178

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% (2010: 16.5%) on the estimated assessable profits for the year ended 31 December 2011.

The new Corporate Income Tax Law in the PRC became effective since 1 January 2008 with standard income tax rate of 25%. The tax rate applicable to certain subsidiaries in Shenzhen and Guangzhou, established prior to 16 March 2007, is 24% (2010: 22%) for the year ended 31 December 2011. This will be gradually increased to 25% in 2012 over a 5-year transition period.

The applicable corporate income tax rate of Luoding Quality Amenities Company Limited, a subsidiary of the Group, is 25% (2010: 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% (2010: 17%) on the estimated assessable profit for the year ended 31 December 2011.

6 TRADE AND BILLS RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**336,884**	248,328
Bills receivables	**4,526**	6,309
Receivable from a non-controlling interest	**583**	136
	341,993	254,773
Less: provision for impairment of receivables	**(5,582)**	(6,889)
Trade and bills receivables, net	**336,411**	247,884

Ageing analysis of trade and bills receivables as at 31 December 2011 is as follows:

	2011	2010
	HK$'000	*HK$'000*
Current	**197,839**	126,721
1 – 30 days	**63,927**	51,929
31 – 60 days	**33,518**	28,013
61 – 90 days	**15,432**	15,380
91 – 180 days	**17,640**	22,607
Over 180 days	**13,637**	10,123
	341,993	254,773

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

7 RESTRICTED CASH

Renminbi ("RMB") denominated balances as at 31 December 2010 represent a mandatory deposit of RMB2,149,000 (approximately HK$2,544,000) placed with a commercial bank in the PRC in relation to the construction of a laundry plant in Changshu city, Jiangsu province, the PRC. Under the rules promulgated by the local government, a mandatory deposit of approximately 5% of the total construction costs is required to be placed with the local banks as restricted deposit. The amount was released in July 2011.

8 CASH AND CASH EQUIVALENTS

	2011	2010
	HK$'000	*HK$'000*
Cash at banks and on hand	**151,396**	87,108
Short-term bank deposit	**40,084**	71,738
	191,480	158,846
Denominated in:		
– HK$	**67,436**	83,203
– RMB	**68,318**	40,072
– US$	**32,832**	17,400
– Other currencies	**22,894**	18,171
	191,480	158,846

The Group's cash and bank balances of approximately HK$79,279,000 (2010: approximately HK$47,495,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

9 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2011	2010
	HK$'000	*HK$'000*
Current	**149,771**	85,061
1 – 30 days	**57,405**	46,310
31 – 60 days	**11,150**	9,693
61 – 90 days	**2,707**	3,864
Over 90 days	**4,435**	4,712
	225,468	149,640

10 BORROWINGS

	2011	2010
	HK$'000	*HK$'000*
Non-current:		
Long-term bank borrowings	**45,190**	51,497
Current:		
Short-term bank borrowings	**–**	11,719
Current portion of long-term bank borrowings	**6,283**	6,207
	51,473	69,423
Representing:		
Secured	**51,473**	69,423

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

	2011	2010
	HK$'000	*HK$'000*
Non-current:		
– HK$ *(Note a)*	**45,190**	51,497
Representing:		
Later than one year and no later than five years	**25,759**	25,484
Over five years	**19,431**	26,013
	45,190	51,497

	2011	2010
	HK$'000	*HK$'000*
Current:		
– HK$ *(Note a)*	**6,283**	6,207
– RMB *(Note b)*	**–**	11,719

The weighted average effective interest rate per annum of the Group's borrowings at 31 December 2011 and 2010 are set out as follows:

	2011	2010
– HK$ *(Note a)*	**0.97%**	0.93%
– RMB *(Note b)*	**–**	6.11%

Note 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 property, plant and equipment and investment properties in the consolidated financial statements of the Group, with net carrying values of HK$61,117,000 and HK$101,000,000, respectively, as at 31 December 2011 (2010: HK$63,128,000 and HK$95,000,000, respectively).

Note b:

As part of the acquisition of All Team Group during the year ended 31 December 2010, there was a RMB denominated revolving loan acquired, which bore interest at the three months lending rate of The People's Bank of China times 1.15 for working capital. A property was pledged against the revolving loan and was included in land use rights and property, plant and equipment in the consolidated financial statements of the Group, with net carrying values of HK$9,514,000 & HK$23,325,000, respectively, as at 31 December 2010. The loan was settled during the year ended 31 December 2011.

Another subsidiary of the Group 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$2,216,000 (2010: HK$2,181,000) and HK$24,211,000 (2010: HK$25,275,000), respectively.

Interest expense on borrowings for the year ended 31 December 2011 was approximately HK$1,809,000 (2010: approximately HK$791,000).

11 SHARE CAPITAL AND SHARE PREMIUM

	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
Balance at 1 January 2010	6,000	408,242	414,242
Issuance of ordinary share in relation to a business combination *(Note (a))*	371	87,349	87,720
Balance at 31 December 2010	6,371	495,591	501,962
Ordinary share issuance *(Note (b))*	300	62,530	62,830
Exercise of share option	23	2,505	2,528
Balance at 31 December 2011	6,694	560,626	567,320

Note (a)

During the year ended 31 December 2010, 37,130,293 shares were issued for the acquisition of All Team Group totaling an approximate amount of HK$92,826,000. 50% of the shares are restricted from trading until the earlier of 30 April 2012 or the issue of audited financial statements of All Team Group for the year ended 31 December 2011 ("the lock-up feature"). The excess of the issue price over the par value of the shares, net of the fair value of the lock-up feature, which amounted to approximately HK$87,349,000 was credited to the share premium account.

In accordance with the sale and purchase agreement, should the audited profit of All Team Group during the year ended 31 December 2011 fall below RMB50,000,000 (equivalent to approximately HK$57,400,000), the Group should be entitled to recover a maximum of 18,565,000 ordinary shares of the Company from the vendors of the shares of All Team Group. The transaction will be recognised upon completion of the related share transfer.

Note (b)

On 9 June 2011, the Company allotted 30,000,000 ordinary shares at a price HK$2.124 per share, the net proceeds of which approximated HK$62,830,000 after deduction of transaction cost.

12 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.

	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**71,666**	116,128
Weighted average number of ordinary shares in issue (thousands)	**655,143**	612,377
Basic earnings per share attributable to equity holders of the Company (HK cents)	**10.9**	19.0

(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.

	2011	2010
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	**71,666**	116,128
Weighted average number of ordinary shares in issue (thousands)	**655,143**	612,377
Adjustments for:		
– Share options (thousands)	**12,238**	17,210
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**667,381**	629,587
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**10.7**	18.4

13 DIVIDENDS

On 12 May 2011, a final dividend of HK4.5 cents per share for the year ended 31 December 2010, amounting to a total dividend of approximately HK$28,671,000 was approved by the Company's shareholders.

On 30 August 2011, the Board resolved to pay an interim dividend of HK1.5 cents per share for the six months ended 30 June 2011, amounting to a total dividend of approximately HK$10,040,000 (six months ended 30 June 2010: HK3.5 cents per share).

The final dividend in respect of the year ended 31 December 2011 of HK2.0 cents per share, amounting to a total dividend of approximately HK$13,388,000, is proposed on 29 March 2012, which is subject to approval at the annual general meeting (the "AGM") to be held on 24 May 2012. 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 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total consolidated revenue for the year ended 31 December 2011 was approximately HK$1,475.4 million, representing a growth of 35.9% compared with 2010 (2010: HK$1,085.9 million). The growth was driven by our core business, the manufacturing and distribution of amenity products, which contributed a revenue of HK$1,227.7 million. The other major operational segment – the distribution and retail business of cosmetics and fashion accessories, contributed HK$235.6 million in revenue to the Group.

For the year under review, profit attributable to equity holders of the Company was HK$71.7 million, a decrease of 38.3%, compared with HK$116.1 million for the year ended 31 December 2010.

Basic earnings per share attributable to equity holders of the Company was HK10.9 cents (2010: HK19.0 cents).

The overall gross profit margin for the year ended 31 December 2011 decreased by 6.0 percentage points to 21.9% from 27.9% for the year ended 31 December 2010, which was mainly due to the increasing cost pressures in the People's Republic of China (the "PRC").

The Board has resolved to propose a final dividend of HK2.0 cents per share for the year ended 31 December 2011, making available a total annual dividend of HK3.5 cents per share (2010: HK8.0 cents per share). The proposed dividend is subject to approval at the forthcoming AGM on 24 May 2012.

Set out below are the consolidated financial highlights of the Group for the year ended 31 December 2011:

	2011	2010
	HK$ million	*HK$ million*
Revenue	**1,475.4**	1,085.9
Gross profit	**323.5**	303.4
Profit attributable to equity holders of the Company	**71.7**	116.1
Net asset value	**1,106.3**	974.4
Basic earnings per share attributable to equity holders of the Company (HK cents)	**10.9**	19.0
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**10.7**	18.4

BUSINESS REVIEW

Since the beginning of the year 2011, the global economy continued to suffer from bouts of turbulence. The European economy was still facing uncertainties due to the European debt crisis. On the other hand, the US economy had a steady recovery with the help of a second wave of quantitative easing. Nevertheless, China's economy witnessed a strong growth amidst the dismal global economic environment in 2011. It helped the Group maintaining strong revenue momentum, particularly in our core business (the manufacturing and distribution of hotel amenities). The Group's total consolidated revenue increased to HK$1,475.4, which was 35.9% higher than in 2010.

The Group adopted dedicated strategies to develop our core business. However, the Group faced cost pressures in the PRC which was an unavoidable phenomenon for the entire manufacturing sector. Together with our new business investment and the lower than expected results produced by our retail business within the PRC's "7 Magic" network, the Group's performance was deeply affected. Profit attributable to equity shareholders of the Company of HK$71.7 million was recorded, down 38.3% compared with 2010.

Core Operation

Manufacturing and distribution business of hotel amenities – Sustainable Growth

The Group made dedicated efforts to grow its core business (the manufacturing and distribution of hotel amenities) through actively developing sales in the three major markets namely the Greater China (including the PRC and Hong Kong), North America and Europe. All three markets are our major contributors which had been providing a sustainable revenue growth to the Group. The Group enjoyed stable demands in these regions.

In 2011, the Greater China (including the PRC and Hong Kong) became the Group's largest market, contributing 36.3% of the total revenue for the manufacturing and distribution of hotel amenities segment, which reflected the efforts of the Group to focus on emerging markets over the past few years. North America was the second largest revenue contributor, comprising 31.6% of total revenue for the manufacturing and distribution of hotel amenities segment. Europe, other Asia Pacific countries (excluding Australia) and Australia accounted for 16.6%, 11.6% and 2.7% of total revenue for the manufacturing and distribution of hotel amenities segment, respectively.

During the year, however, the Group suffered from cost pressures in the PRC which negatively impacted our results. Renminbi ("RMB") appreciation further increased the cost pressure of the rising raw material and labour costs. The increasing labour costs in the PRC had become a major source of pressure on profit margins following the raise of minimum wages and Housing Fund allowance in 2011. The profit margin of the Group had been declining due to the above stated reasons. The gross profit margin decreased by 6.0 percentage points to 21.9% compared with 2010 (2010: 27.9%).

Despite the impact of increasing costs, the Group has striven to maintain its leading position in the hotel amenities industry by providing a wide range of high quality hotel amenity products to customers, together with our well-established and highly diversified worldwide distribution network.

We are confident that the Group will continue to increase its market share with more focus on the Asia Pacific region. Furthermore, by adopting appropriate operating strategies, the Group will strive to maximize its shareholders' value in the ever changing business environment.

New Business Development

China retail market – 7 Magic

China domestic demand continued to boost economic development. In order to fully capture these opportunities, the Group acquired a stake in All Team Group on 31 August 2010. During the year under review, a total of HK$235.9 million (2010: HK$81.4 million) of revenue was recorded for All Team Group which was mainly comprised of the "7 Magic" retail business, representing 16.0% (2010: 7.5%) of the Group's total revenue.

However, the operating results of our retail business in the PRC "7 Magic" was lower than management expectations.

Sales performance was not satisfactory as both revenue per store and number of additional stores were lowered than original expectation. Management believes that inflation in PRC continues to deteriorate the consumption power of our target customer group which mainly comprises younger females with relatively low income. In such environment, profit margin is inevitably facing pressure as selling prices have to be lowered in order to maintain competitiveness in the market. For the year ended 31 December 2011, the number of new franchise stores opened was 303 and the total number of franchise stores as at 31 December 2011 was 1,258. The gross margin and net margin of All Team Group for the year ended 31 December 2011 was 30.7% (2010: 32.9%) and 10.7% (2010: 18.3%) respectively. For the year ended 31 December 2011, the profit after tax of All Team Group amounted to HK$25.3 million, which comprised the profit after tax of "7 Magic" of HK$33.3 million and the loss after tax of Parel (Guangzhou) Cosmetics Limited of HK$8.0 million.

For the year under review, we continued to focus on the fast-growing consumption demand from second and third-tier cities in the PRC. We believe that the sustainability of our success is built on excellent management and control of our franchises and systems. Riding on the booming younger female fashion accessories and cosmetics market in China, the "7 Magic" business has become one of the major revenue generators for the Group. With the synergies brought to the Group, the "7 Magic" business will play an even more important role in the foreseeable future.

Retail Brand – everyBody Labo

Building and developing our own brand is one of the Group's coveted business directions and strategies. The Group's first own-branded personal body care products namely "everyBody Labo" is our main focus in the campaign to develop our own brand. "everyBody Labo" has begun taking off on the brand awareness front through the placement of its products in Mannings in Hong Kong and via directly opened counters in Harvey Nichols Hong Kong. In the PRC, the products were sold through distributors to counters in cosmetics shops.

"everyBody Labo" is still in its early development stage, and recorded a loss of HK$7.3 million (2010: HK$10.7 million) for the year under review. To lower the cost of rental expense, the Mongkok store in Hong Kong ceased operations in November 2011 upon termination of its existing lease agreement. The Group strives to explore different opportunities in widening our distribution network across Hong Kong and the PRC.

Laundry services – Commenced operation in March 2011

To further expand our hotel related business, the Group had completed the construction of a laundry plant in Jiangsu Province, the PRC in March 2011. It mainly provides laundry services for hotel customers. The Group believes that commercial laundry services are not only a key element of total solution services to hotels, but also further enhance the Group's presence in the hotel-related industries as well as boosting the Group's profitability in the long run. In 2011, the Group secured 12 new contracts. In this investment stage, a loss of HK$15.0 million was incurred for the year under review.

PROSPECTS

In an update to its World Economic Outlook, the International Monetary Fund said that the euro area would fall into a mild recession in 2012 after the euro area crisis entered a "perilous new phase" toward the end of last year, affecting other parts of the world including the United States, emerging markets and developing countries. Therefore, the Group will continue to have a "cautiously optimistic" outlook and employ suitable measures to confront any challenges head on.

During the year under review, the Group's results faced pressure on two fronts: wage inflation and upstream input cost increases. The Group has no reason to be too optimistic that these two situations will pose less onerous challenges in the current year. In order to lessen the impact of higher labour and raw material costs, the Group will employ a variety of strategies including reducing output of labour intensive products as well as finding more suitable strategic partners in order to reduce cost pressures. In addition, the Group will concentrate its efforts on the production of high margin, value-added products; improving product standardization in production process; enhancing its proprietary brand recognition to cooperate with the core business operation; better facilitating the promotion of its proprietary brand, and focusing on the production of ODM products in order to bring higher value and sales margins to the Group. The Group believes that adding standardized product range would help minimize the impact of labour cost pressure. Together with further corporate strategy implementation, the Group is still confident to cope with different challenges and uncertainties in the future.

Looking ahead, the Group will remain focused on its core business by boosting orders from existing and new customers. The Group is currently exploring business opportunities in emerging markets by providing comprehensive product offerings and one-stop solutions for our customers – from personal healthcare items, and in-room accessories, to airline amenity kits, linen and laundry services. We both recognise and are committed to the need to maintain a sustainable long-term growth for shareholders which is in harmony with the Group's target to achieve consistent and healthy operating margins as well as maximizing shareholders' returns.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group's cash and cash equivalents amounted to HK$191.5 million (2010: HK$158.8 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 bears 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 2011, the outstanding borrowing of this facility amounted to HK$51.5 million (2010: HK$57.7 million).

In August 2010, the Group has obtained a RMB denominated revolving loan, which bore interest at the three months lending rate of The People's Bank of China times 1.15 for working capital. A property was pledged against the revolving loan with the maturity date of 2 August 2011. The loan was settled during the year ended 31 December 2011.

Details of the borrowings are set out in note 10 of the consolidated financial information presented above.

The gearing ratio at 31 December 2011, calculated on the basis of borrowings over total equity, was 4.7% as compared with 7.1% at 31 December 2010.

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. During the year ended 31 December 2011, 39.7% (2010: 30.4%) of the Group's consolidated revenue was derived from the PRC.

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 2011, certain subsidiaries of the Company pledged assets with aggregate carrying value of HK$162.1 million (2010: HK$190.9 million) to secure drawn bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2011, the capital commitment of the Group was HK$2.7 million (2010: HK$36.4 million). At the balance sheet date, the Group had no material contingent liabilities.

	2011	2010
	HK$'000	*HK$'000*
Contracted but not provided for in the financial statements	**2,658**	36,429
Authorised by Directors but not contracted for	**–**	–
	2,658	36,429

The capital commitments mainly relate to the construction of laundry factory at Changshu City, Jiangsu Province of the PRC.

EMPLOYEES

As at 31 December 2011, the total number of employees of the Group was approximately 4,700. 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 recognise their outstanding performance.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for year ended 31 December 2011, except for the following deviation:

- code provision A.2.1. of the CG 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 2011 have been reviewed by the members of the Audit Committee before submission to the Board for approval.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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. 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 2011.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming AGM of the Company will be held on Thursday, 24 May 2012. The notice of AGM will be published and sent to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 31 May 2012 to Tuesday, 5 June 2012 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the AGM, 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 Wednesday, 30 May 2012.

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

Hong Kong, 29 March 2012

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, Ms. CHAN Yim Ching and Mr. LEUNG Ping Shing; the non-executive Director is Mr. NG Bo Kwong; 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 only*