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 2013

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 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,683,999**	1,685,723
Cost of sales	*4*	**(1,281,528)**	(1,321,475)
Gross profit		**402,471**	364,248
Distribution costs	*4*	**(199,219)**	(167,780)
Administrative expenses	*4*	**(119,759)**	(120,941)
Other income	*5*	**9,307**	33,445
Impairment of property, plant and equipment		**(4,315)**	(5,504)
Provision for legal compensation	*17*	**(26,349)**	–
Operating profit		**62,136**	103,468
Finance income		**1,604**	512
Finance costs	*12*	**(798)**	(1,519)
Share of profit of an associated company		**141**	80
Share of losses of joint ventures		**(19)**	–
Profit before income tax		**63,064**	102,541
Income tax expense	*6*	**(27,984)**	(27,363)
Profit for the year		**35,080**	75,178

	Note	For the year ended 31 December 2013 HK$'000	2012 HK$'000
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**16,919**	5,503
Revaluation of land and building prior to transfer to investment properties		**–**	34,116
Total comprehensive income for the year		**51,999**	114,797
Profit/(loss) attributable to:			
Equity holders of the Company		**40,011**	75,250
Non-controlling interests		**(4,931)**	(72)
		35,080	75,178
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**56,951**	114,869
Non-controlling interests		**(4,952)**	(72)
		51,999	114,797
Earnings per share attributable to equity holders of the Company (Expressed in HK cents)			
– Basic	*14*	**5.7**	11.4
– Diluted	*14*	**5.6**	11.4
Dividends			
Interim dividend paid	*15*	**10,463**	6,508
Proposed final dividend	*15*	**13,954**	17,431
		24,417	23,939

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2013	2012
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Goodwill		**355,135**	345,325
Land use rights		**17,834**	17,793
Property, plant and equipment		**217,418**	230,467
Investment properties		**207,180**	206,899
Intangible assets		**16,322**	16,172
Long-term prepayments		**19,091**	20,802
Investment in an associated company		**751**	634
Investments in joint ventures		**1,031**	–
Deferred income tax assets		**8,433**	4,115
Total non-current assets		**843,195**	842,207
Current assets			
Inventories		**190,456**	199,499
Trade and bills receivables	*7*	**415,761**	391,605
Amount due from an associated company	*8*	**3,146**	1,328
Amounts due from joint ventures		**30**	–
Prepaid tax		**381**	26
Deposits, prepayments and other receivables		**63,688**	83,566
Restricted cash	*9*	**38,367**	37,307
Cash and cash equivalents	*10*	**343,800**	245,505
Total current assets		**1,055,629**	958,836
Total assets		**1,898,824**	1,801,043
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*13*	**6,977**	6,968
Share premium	*13*	**590,935**	590,413
Other reserves		**673,664**	636,303
Proposed final dividend	*15*	**13,954**	17,431
		1,285,530	1,251,115
Non-controlling interests		**(12,662)**	(7,710)
Total equity		**1,272,868**	1,243,405

		As at 31 December	
		2013	2012
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*12*	**32,444**	38,868
Deferred income tax liabilities		**5,912**	5,849
Total non-current liabilities		**38,356**	44,717
Current liabilities			
Current portion of long-term bank borrowings	*12*	**6,413**	6,339
Trade payables	*11*	**233,215**	231,001
Accruals and other payables		**300,194**	234,740
Current income tax liabilities		**41,229**	34,894
Loans from non-controlling interests		**6,521**	5,933
Dividends payable		**28**	14
Total current liabilities		**587,600**	512,921
Total liabilities		**625,956**	557,638
Total equity and liabilities		**1,898,824**	1,801,043
Net current assets		**468,029**	445,915
Total assets less current liabilities		**1,311,224**	1,288,122

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 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	–	–	(13,017)	(13,017)	–	(13,017)
Interim dividend relating to 2012	–	–	(6,508)	(6,508)	–	(6,508)
Forfeiture of dividends *(Note 13)*	–	–	1,764	1,764	–	1,764
Ordinary share issuance *(Note 13)*	456	44,395	–	44,851	–	44,851
Exercise of share options *(Note 13)*	4	244	–	248	–	248
Cancellation of ordinary shares *(Note 13)*	(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
Balance at 1 January 2013	6,968	590,413	653,734	1,251,115	(7,710)	1,243,405
Comprehensive income						
Profit/(loss) for the year	–	–	40,011	40,011	(4,931)	35,080
Other comprehensive income						
Currency translation differences	–	–	16,940	16,940	(21)	16,919
Total comprehensive income/(loss)	–	–	56,951	56,951	(4,952)	51,999
Final dividend relating to 2012 *(Note 15)*	–	–	(17,438)	(17,438)	–	(17,438)
Interim dividend relating to 2013 *(Note 15)*	–	–	(10,463)	(10,463)	–	(10,463)
Exercise of share options *(Note 13)*	9	522	–	531	–	531
Share-based compensation	–	–	4,834	4,834	–	4,834
Balance at 31 December 2013	6,977	590,935	687,618	1,285,530	(12,662)	1,272,868

NOTES:

1 BASIS OF PREPARATION

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

The 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:

HKFRS 13, 'Fair value measurement'. HKFRS 13 measurement and disclosures requirements is effective for the Group's accounting year commencing 1 January 2013. It 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.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units ("CGUs") which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

Other amended standards or interpretations that are effective for the first time for the Group's accounting year commencing 1 January 2013 but do not have a material impact to the Group:

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

(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 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. 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. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

HK(IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

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") 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, share of profit of an associated company, share of losses of joint ventures, and provision for legal compensation.

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 2013													
Segment revenue	452,102	194,892	453,642	188,708	36,392	204,003	8,569	1,538,308	131,196	3,949	135,145	16,161	1,689,614
Inter-segment revenue	–	–	(5,566)	–	–	–	–	(5,566)	–	(49)	(49)	–	(5,615)
Revenue from external customers	452,102	194,892	448,076	188,708	36,392	204,003	8,569	1,532,742	131,196	3,900	135,096	16,161	1,683,999
Earnings/(loss) before interest, taxes, depreciation, amortisation, impairment of property, plant and equipment and provision for legal compensation	62,167	20,826	47,059	13,503	1,874	24,445	1,273	171,147	(25,197)	(4,780)	(29,977)	(6,196)	134,974
Impairment of property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	(4,315)	(4,315)
Depreciation	(8,574)	(3,696)	(8,498)	(3,579)	(690)	(3,869)	(162)	(29,068)	(2,250)	(223)	(2,473)	(6,880)	(38,421)
Amortisation	(480)	(207)	(475)	(200)	(39)	(216)	(9)	(1,626)	(1,759)	(263)	(2,022)	(105)	(3,753)
Finance income	–	–	1,509	66	–	–	–	1,575	24	–	24	5	1,604
Finance costs	–	–	(21)	(368)	–	–	–	(389)	–	–	–	(409)	(798)
Segment profit/(loss) before income tax	53,113	16,923	39,574	9,422	1,145	20,360	1,102	141,639	(29,182)	(5,266)	(34,448)	(17,900)	89,291
Share of profit of an associated company													141
Share of losses of joint ventures													(19)
Provision for legal compensation													(26,349)
Income tax expense													(27,984)
Profit for the year													35,080

	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	*(Note iv)*	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 2013											
Total assets	751,475	605,467	973	29,583	1,387,498	479,844	4,822	484,666	298,813	(272,153)	1,898,824
Include:											
Investment in an associated company	–	751	–	–	751	–	–	–	–	–	751
Investments in joint ventures	–	–	–	1,031	1,031	–	–	–	–	–	1,031
Additions to non-current assets (other than deferred income tax assets)	19,309	3,579	27	1,006	23,921	11,181	1,308	12,489	1,103	–	37,513
Total liabilities	344,036	146,667	24	5,154	495,881	175,393	27,170	202,563	199,665	(272,153)	625,956

	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$'000	*(Note iv)* HK$'000	Total 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 Limited & its subsidiaries ("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 of 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 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	*(Note iv)* HK$'000	Inter-segment elimination HK$'000	Total 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	21,425	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

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 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:

	2013	2012
	HK$'000	*HK$'000*
Changes in inventories	**908,781**	983,031
Auditor's remuneration	**3,300**	3,135
Amortisation of land use rights	**458**	649
Depreciation of property, plant and equipment	**38,421**	40,198
Amortisation of intangible asset	**3,295**	2,404
Operating lease rental in respect of buildings	**17,835**	13,344
Provision/(write-back of provision) for obsolete inventories	**1,803**	(179)
Provision for impairment of trade and bills receivables	**10,471**	9,074
Employee benefit expenses	**341,170**	323,057
Transportation expenses	**52,980**	52,123
Exchange (gain)/loss, net	**(2,779)**	1,592
Advertising costs	**24,155**	15,545
Gain on disposal of property, plant and equipment	**(216)**	(572)
Direct operating expenses arising from investment properties that generate rental income	**556**	165
Utilities expenses	**26,299**	27,011

5 OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Fair value gain on contingent consideration in relation to the acquisition of All Team Group	**–**	15,038
Compensation income *(Note)*	**–**	10,760
Income from sales of scrap materials	**2,105**	2,081
Rental income	**4,836**	3,953
Others	**2,366**	1,613
	9,307	33,445

Note:

During the year ended 31 December 2012, compensation income of HK$10,760,000 was received from Shuangdong Town Government upon mutual agreement in relation to the termination of the purchase a piece of land in Luoding, the PRC.

6 INCOME TAX EXPENSE

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

	2013	2012
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**18,563**	14,784
– PRC enterprise income tax	**12,836**	8,139
– Singapore income tax	**830**	641
	32,229	23,564
Deferred income tax	**(4,245)**	3,799
	27,984	27,363

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

Hong Kong and PRC profits taxes are calculated at 16.5% (2012: 16.5%) and 25% (2012: 25%) on the estimated assessable profits for the year ended 31 December 2013 respectively.

Luoding Quality Amenities Company Limited is eligible for 50% reduction in corporate tax rate in the year ended 31 December 2012.

Corporate tax in Singapore has been provided at the rate of 17% (2012: 17%) on the estimated assessable profit for the year ended 31 December 2013.

7 TRADE AND BILLS RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**430,306**	399,537
Bills receivables	**5,797**	3,630
Receivable from a non-controlling interest	**229**	8
	436,332	403,175
Less: provision for impairment of receivables	**(20,571)**	(11,570)
Trade and bills receivables, net	**415,761**	391,605

Ageing analysis of trade and bills receivables as at 31 December 2013 is as follows:

	2013	2012
	HK$'000	*HK$'000*
Current	**239,943**	236,518
1 – 30 days	**77,575**	70,947
31 – 60 days	**40,016**	36,383
61 – 90 days	**26,131**	20,151
91 – 180 days	**24,774**	15,582
Over 180 days	**27,893**	23,594
	436,332	403,175

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

8 AMOUNT DUE FROM AN ASSOCIATED COMPANY

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

	2013	2012
	HK$'000	*HK$'000*
Current	**878**	1,328
1 – 30 days	**304**	–
31 – 60 days	**395**	–
61 – 90 days	**438**	–
Over 90 days	**1,131**	–
	3,146	1,328

9 RESTRICTED CASH

	2013	2012
	HK$'000	*HK$'000*
Restricted cash	**38,367**	37,307
Denominated in:		
– RMB	**38,367**	37,307

As at 31 December 2013, the restricted cash of Renminbi ("RMB") 30,000,000 (approximately HK$38,367,000) (31 December 2012: approximately HK$37,307,000) was placed as collateral for an irrevocable letter of guarantee that provides financial assurance that the Group will fulfil its obligation with respect to a litigation discussed in Note 17.

10 CASH AND CASH EQUIVALENTS

	2013	2012
	HK$'000	*HK$'000*
Cash at banks and on hand	**236,010**	160,720
Short term bank deposits	**107,790**	84,785
	343,800	245,505
Denominated in:		
– US$	**141,119**	43,873
– RMB	**123,186**	129,165
– HK$	**62,240**	52,342
– Other currencies	**17,255**	20,125
	343,800	245,505

The Group's cash and bank balances of approximately HK$124,945,000 (31 December 2012: approximately HK$157,607,000) are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

11 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2013	2012
	HK$'000	*HK$'000*
Current	**170,421**	156,845
1 – 30 days	**49,034**	54,207
31 – 60 days	**5,168**	9,632
61 – 90 days	**3,146**	4,866
Over 90 days	**5,446**	5,451
	233,215	231,001

12 BORROWINGS

	2013	2012
	HK$'000	*HK$'000*
Non-current:		
Long-term bank borrowings	**32,444**	38,868
Current:		
Current portion of long-term bank borrowings	**6,413**	6,339
	38,857	45,207
Representing:		
Secured	**38,857**	45,207

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

	2013	2012
	HK$'000	*HK$'000*
Non-current:		
– HK$ *(Note)*	**32,444**	38,868
Representing:		
Later than one year and no later than five years	**26,278**	26,017
Over five years	**6,166**	12,851
	32,444	38,868

	2013	2012
	HK$'000	*HK$'000*
Current:		
– HK$ *(Note)*	**6,413**	6,339

The weighted average effective interest rate per annum of the Group's borrowings at 31 December 2013 and 2012 are set out as follows:

	2013	2012
HK$ *(Note)*	**0.96%**	1.05%

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

Another subsidiary of the Company had entered into banking facilities which were secured by land use rights and property, plant and equipment with net carrying values of approximately HK$2,177,000 (31 December 2012: HK$2,175,000) and HK$20,664,000 (31 December 2012: HK$22,246,000), respectively.

Interest expense on borrowings for the year ended 31 December 2013 was approximately HK$798,000 (for the year ended 31 December 2012: HK$1,519,000).

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

13 SHARE CAPITAL AND SHARE PREMIUM

	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
Balance at 1 January 2012	**6,694**	**560,626**	**567,320**
Ordinary share issuance *(Note (a))*	456	44,395	44,851
Cancellation of ordinary shares *(Note (b))*	(186)	(14,852)	(15,038)
Exercise of share options	4	244	248
Balance at 31 December 2012	**6,968**	**590,413**	**597,381**
Exercise of share options	9	522	531
Balance at 31 December 2013	**6,977**	**590,935**	**597,912**

Notes:

(a) On 7 December 2012, the Company placed 45,585,550 ordinary shares to American Hotel Register Company ("American Hotel") pursuant to a placing agreement at a price of HK$1.00 per share. Net proceeds for the ordinary share issuance approximated HK$44,851,000 after deduction of transaction cost.

(b) 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 share as at 30 April 2012, the date of share 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 ended 31 December 2012.

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.

	2013	2012
Profit attributable to equity holders of the Company (HK$'000)	**40,011**	75,250
Weighted average number of ordinary shares in issue (thousands)	**697,391**	660,472
Basic earnings per share attributable to equity holders of the Company (HK cents)	**5.7**	11.4

(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.

	2013	2012
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	**40,011**	75,250
Weighted average number of ordinary shares in issue (thousands)	**697,391**	660,472
Adjustments for:		
– Share options (thousands)	**12,189**	874
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**709,580**	661,346
Diluted earnings per share attributable to equity holders of the Company (HK cents)	**5.6**	11.4

15 DIVIDENDS

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

On 29 August 2013, the Board resolved to pay an interim dividend of HK1.5 cents per share for the six months ended 30 June 2013, amounting to a total dividend of approximately HK$10,463,000 (for the six months ended 30 June 2012: HK1.0 cent per share).

The final dividend in respect of the year ended 31 December 2013 of HK2.0 cents per share, amounting to a total dividend of approximately HK$13,954,000 is proposed on 27 March 2014, which is subject to approval at the annual general meeting (the "AGM") to be held on 22 May 2014. 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 2013.

16 CAPITAL COMMITMENTS

As at 31 December 2013, the capital commitments of the Group were HK$12,559,000 (31 December 2012: HK$4,454,000).

	2013	2012
	HK$'000	*HK$'000*
Contracted but not provided for in the consolidated financial statements	**12,559**	4,454

As at 31 December 2013, the Group had commitment of approximately HK$3,911,000 (31 December 2012: Nil) for capital contribution to certain subsidiaries.

17 PROVISION FOR LEGAL COMPENSATION

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

The Group acquired this distribution and retail business in the PRC in 2010. Since acquisition, the Group had withheld RMB10,000,000 (equivalent to approximately HK$12,789,000) from the consideration payable to the vendors to satisfy any claims against the vendors in respect of any breaches of warranties provided in the sales and purchase agreement. The amount was recognised as “other payables” in the consolidated balance sheet as at 31 December 2013. The Directors of the Company, based on the opinion from its legal counsel, are of the view that the Group could claim such loss against the vendors, and accordingly, a receivable of the same amount was recognised as “other receivables” as at 31 December 2013. Therefore, the net amount recognised in the consolidated statement of comprehensive income was RMB21,000,000 (equivalent to approximately HK$26,349,000) during the year.

	2013
	HK$'000
Provision for legal compensation	39,138
Less: Claim receivables under indemnity	(12,789)
	26,349

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group reported a marginal decline of 0.1% in the Group's total consolidated revenue for the year ended 31 December 2013 to approximately HK$1,684.0 million as compared to HK$1,685.7 million last year. The Group's core business – manufacturing and distribution of amenity products – remained the major growth driver as it contributed HK$1,532.7 million, namely 91.0% of the Group's revenue. The other business pillar, the distribution and retail business of cosmetics and fashion accessories, accounted for HK$135.1 million, or 8.0% of the total revenue.

Profit attributable to equity holders of the Company registered a year-on-year decrease of 46.9% to HK$40.0 million from HK$75.3 million in the previous financial year.

Basic earnings per share attributable to equity holders of the Company for the year ended 31 December 2013 was HK5.7 cents (2012: HK11.4 cents).

The overall gross profit margin improved from 21.6% year-ago to 23.9% for the year under review, attributable to the Group's effective cost management amid the escalating manufacturing costs.

The Board has resolved to propose a final dividend of HK2.0 cents per share for the year ended 31 December 2013. A sum of the interim and year-end dividends is expected to be HK3.5 cents per share (2012: HK3.5 cents per share). The proposed dividend is subject to approval at the forthcoming AGM on 22 May 2014.

Set out below are the consolidated financial highlights of the Group for the year ended 31 December 2013:

	2013	2012	
	HK$ million	*HK$ million*	% Change
Revenue	**1,684.0**	1,685.7	(0.1%)
Gross profit	**402.5**	364.2	10.5%
Profit attributable to equity holders of the Company	**40.0**	75.3	(46.9%)
Net asset value	**1,272.9**	1,243.4	2.4%
Basic earnings per share attributable to equity holders of the Company *(HK cents)*	**5.7**	11.4	(50.0%)
Diluted earnings per share attributable to equity holders of the Company *(HK cents)*	**5.6**	11.4	(50.9%)

BUSINESS REVIEW

The global economic recovery remained weak during the year ended 31 December 2013, as it was being hindered by a number of factors, including the slowdown of the economies of major emerging markets. China's gross domestic product ("GDP") in 2013 registered a flat growth of 7.7% as a result of downturn in domestic demand and pile-up of local debts. Although Eurostat showed the Euro zone's economy grew by 0.4% in 2013, there were still concerns that the Euro area would be stuck in a prolonged recession, given the uncertain market conditions. Risks of economic fluctuations in the US still exist, despite signs of turning the corner.

The Group has made persistent efforts to expand the operations in hotel amenity business, this segment continues to play a major role in supporting the Group's income. However, the other hotel-related business, laundry services, had taken its toll against the Group's total profit with a sluggish performance. The Group's retail business segment also suffered a loss in 2013. The Group's total consolidated revenue registered a 0.1% decrease to approximately HK$1,684.0 million as compared to HK$1,685.7 million in the previous financial year. Profit attributable to equity holders of the Company decreased by 46.9% to HK$40.0 million from HK$75.3 million year ago.

Hotel related businesses

Manufacturing and distribution business of hotel amenities

Despite the volatility in the global economy, the results of the international tourism were well above expectations in 2013. According to the latest the UN World Tourism Organization ("UNWTO") World Tourism Barometer, international tourist arrivals reached a record 1,087 million, representing an increase of 5% or an additional 52 million international tourists travelling around the world. Asia Pacific was the area most resilient to the lingering market challenges, where the number of international tourists grew by 6% or 14 million to reach 248 million. The booming tourism boosted demand for hotel accommodation and the consumption of hotel amenities. Riding on the opportunity, the Group prioritized its operations in the manufacturing and distribution business of hotel amenities and hence achieved satisfactory financial results in this segment for this financial year.

For the year under review, the Group's hotel amenities business reported HK$1,532.7 million in revenue. The Greater China (including the PRC and Hong Kong) remained as the major market which accounted for 41.5% of the revenue generated from this hotel amenities segment, followed by North America as the second largest region, which contributed 29.5% of revenue. Europe, other Asia Pacific countries (excluding Australia) and Australia maintained their share and account for 12.7%, 13.3% and 2.4%, respectively. Additionally, the Group managed to improve cost efficiency by streamlining the manufacturing processes and enhancing inventory management and distribution strategy. Therefore, the Group recorded a gross profit of HK$402.5 million for the year under review, up 10.5% on a comparable basis.

Due to changes in the macro and market conditions, the Group and American Hotel, with mutual consent, terminated their Strategic Cooperation Agreement with effect from 27 December 2013. The Group considers that the termination of the Strategic Cooperation Agreement has no material adverse impact on the financial and operational position of the Group. The Group will be more flexible in implementing business strategies going forward. Still, the Group will continue with due diligence to examine on potential expansion opportunities.

Laundry services

The laundry business of the Group, launched in March 2011, serves as part of our commitment to providing total solution services for our hotel clients. Nevertheless, as star-grade hotels are implementing various cost saving strategy amidst the uncertain market conditions, the Group found it challenging to establish solid business relationships with target customers. In the meantime, the Group was suffering from increasing operating costs, in terms of higher utility expenses resulted from the government's intention to develop an eco-friendly economy and rising labor cost. A loss of HK$20.7 million was therefore recognized in the year under review.

Taking the initiative to improve the operational structure in March 2014, the Group decided to cease laundry services before 30 June 2014 which have been contributing negatively to its overall financial performance.

Retail Business Development

China retail market

As China is in the course of economic rebalancing, domestic consumption seems to slow down along the way. Retail sales growth, adversely affected by the current scenario, has seen some signs of deceleration over recent years. Retailers are searching for ways to better adapt to the ever-changing landscape. On the other hand, along with rising Internet penetration, China's online shopping market is swelling at an impressive pace throughout 2013, surpassing total social retail sales. The tremendous opportunity for online retail business, however, turns out to strike on physical stores which are disadvantaged with regards to operating expenses and delivery flexibility.

The Group's China retail business mainly targets young females for selling beauty products including cosmetics and accessories. Sales are inevitably vulnerable to the target customers' purchasing power and price sensitivity. Thus the Group has found itself in a dilemma to lift selling prices to ease pressure from spiraling operating costs. For the year ended 31 December 2013, the Group recorded a revenue of HK$131.2 million (2012: HK$193.3 million) from the retail business it is engaged in, representing 7.8% of the total consolidated revenue. Continuing on the consolidation process, the Group replaced aggressive store expansion with refined store management.

Therefore, the Group succeeded in achieving an improved gross profit margin of 34.9%, up from 33.6% last year. However, the segment loss before income tax was HK$29.2 million, excluding a provision of the possible PRC lawsuit compensation of RMB31.0 million (equivalent to approximately HK$39.1 million), net off by claim receivables under indemnity of RMB10.0 million (equivalent to approximately of HK$12.8 million). The number of our retail chain's outlets remained stable at 1,347 as at 31 December 2013 (31 December 2012: 1,362).

Retail Brand – everyBody Labo

During the year under review, the Group devoted persistent efforts to gain a greater presence in the health and beauty market for its first own-label body care products brand "everyBody Labo". Leveraging on our business connections with Mannings, Harvey Nichols Hong Kong and Citysuper outlets, "everyBody Labo" has built up a strong distribution network in Hong Kong. Furthermore, the brand has expanded its footprint to V City, where a new sales counter was opened in August 2013. V City is shopping mall atop Hong Kong's Tuen Mun west rail station, which is only ten minutes away from Shenzhen Bay Port, the PRC. The Group selected the location with a view to increasing the brand awareness of "everyBody Labo" among Chinese tourists, marking another crucial step towards exploring the PRC market.

However, as a relatively new brand, it takes time to be fully recognized by consumers, let alone to overshine other competitors in Hong Kong's health and beauty market which is dominated by international brands. Therefore, the segment recorded a drop of 38.1% in revenue to HK$3.9 million for the year ended 31 December 2013 (2012: HK$6.3 million).

PROSPECTS

The global economy remained weak during the year. However, there are some signs of improvements showing up recently, as indicated in World Economic Situation and Prospect 2013. GDP for the Euro area has finally returned to the upward trend. A few large emerging economies, including China, is well-poised to propel economic activities upon structural reforms. The world's GDP is forecasted to grow at a pace of 3.0% and 3.3% for 2014 and 2015, respectively. Studies also show that the US economy is expected to regain its growth next year with better employment situation and increase in disposable incomes. The Group is well-positioned to improve its operating performance, fueled by economic dynamics in the year to come.

The UNWTO forecasts international arrivals to continue the growth trend by 4% to 4.5% in 2014, a figure above UNWTO's long-term forecast of 3.8% increase per year between 2010 and 2020. As another positive year for hotel-related business is expected, the Group is confident in further promoting its amenity business, backed up by a full range of product and service offerings, including personal healthcare items, in-room accessories, airline amenity kits and linens. With more efforts devoted to broadening sourcing channels and upgrading business bonds, the Group is determined to maximize cost efficiency throughout the segment's supply chain as well as its distribution network.

The Group is seeking for meaningful breakthroughs for both China retail business and "everyBody Labo" brands in 2014. Due to a litigation involved, it is first judged that the Group will pay RMB30.0 million (equivalent to approximately HK$38.4 million) to settle the lawsuit over the infringement of trademarks. However, the Group has determined to file the appeal to the Supreme People's Court of the PRC, and is confident to protect its interests with all necessary actions.

Looking ahead, the Group will remain focused on its core business where it has demonstrated solid track records and established competitive advantages. It will also try the best to settle the lawsuit as soon as possible in order to reduce uncertainties in the profitability of its retail business segment. Such strategies are believed to best position the Group in the increasingly competitive market. The Group always keeps in mind that prioritizing shareholders' interests is the key driver for the Group's sustainable development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group's cash and cash equivalents amounted to HK$343.8 million (31 December 2012: HK$245.5 million).

In November 2009, the Group entered into a mortgage deed with a leading bank in Hong Kong to raise HK$64.4 million for the completion of acquisition of office premises in Central district. This facility bore interest at one month 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 2013, the outstanding borrowing of this facility amounted to HK$38.9 million (31 December 2012: HK$45.2 million).

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

The gearing ratio at 31 December 2013, calculated on the basis of borrowings over total equity, was 3.1% as compared with 3.6% at 31 December 2012.

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments are set out in note 16 to the consolidated financial information. The Group has no material contingent liabilities as at 31 December 2013.

EMPLOYEES

As at 31 December 2013, the total number of employees of the Group was approximately 4,400 and the employee benefit expenses were approximately HK$341.2 million. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis. The Group also invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrading their skills and knowledge.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in note 13 to the consolidated financial information, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any listed securities of the Company during the year ended 31 December 2013.

CORPORATE GOVERNANCE CODE

The Group has complied with all the code provisions set out in the Corporate Governance Code (the "Code") during the year ended 31 December 2013, 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 2013 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 2013.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming AGM of the Company will be held on Thursday, 22 May 2014. The notice of AGM will be published and delivered to the shareholders of the Company in due course.

FINAL DIVIDEND

For the year ended 31 December 2013, the Directors recommend a final dividend of HK2.0 cents per share, which is subject to the approval of the shareholders of the Company at the forthcoming AGM. The final dividend will be payable on or around 13 June 2014 to the shareholders of the Company whose names appear in the register of members of the Company as on 30 May 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 28 May 2014 to Friday, 30 May 2014 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 27 May 2014.

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 2014

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; and the independent non-executive Directors are Mr. SUN Kai Lit Cliff, Mr. HUNG Kam Hung Allan, Mr. MA Chun Fung Horace and Mr. NG Bo Kwong.

* *for identification purpose only*